

# THE KOREAN PENINSULA: SIX-PARTY TALKS AND THE NUCLEAR ISSUE

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## HEARING BEFORE THE COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES ONE HUNDRED NINTH CONGRESS

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## THE KOREAN PENINSULA: SIX-PARTY TALKS AND THE NUCLEAR ISSUE

WEDNESDAY, MARCH 10, 2005

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON INTERNATIONAL RELATIONS,  
*Washington, DC.*

The Committee met, pursuant to call, at 10:41 a.m. in room 2172, Rayburn House Office Building, Hon. Henry J. Hyde, (Chairman of the Committee) presiding.

Chairman HYDE. The Committee will come to order. The Chair recognizes Mr. Ackerman.

Mr. ACKERMAN. Thank you very much, Mr. Chairman. Before we start the process of today's hearing, I have a bit of housekeeping. At the direction of the Democratic Caucus of the Committee and on behalf of Mr. Lantos, I ask unanimous consent that Mr. Schiff of California replace Ms. Watson of California as a Member of the Subcommittee on International Terrorism and Nonproliferation.

Chairman HYDE. Without objection, so ordered.

I have a little business, too, although the sparsity of attendance is not helpful. Certain Members of our Committee have expressed a desire to be recognized at the beginning of our Full Committee hearings to make opening statements. As you know, it has been my practice to exercise the Chair's discretionary recognition authority to recognize only myself and the Ranking Member, Mr. Lantos, for purposes of setting the stage or establishing a context for the hearings. Members are always given leave to insert statements in the record of a hearing.

In carrying out our responsibilities, both as a legislative and as an oversight Committee, it is crucial that we have hearings. The main purpose of these hearings is to hear from the witnesses. It is to elicit testimony from knowledgeable people to assist us in making difficult policy choices and setting priorities. It is not necessarily to listen to each other. We have other fora to lecture each other on our positions, and while that is important, I think it is important we get to hear the witnesses and that we get to question the witnesses rather than spend the inevitable time in listening to opening statements. I am not diminishing their importance, but we do have a problem with a large Committee when everyone is here and everyone wants to be heard.

Now, as Chairman, I have to balance the opposing demands on our time between those who wish to make opening statements and those who wish to proceed expeditiously to the testimony. I understand both are important, but I have deemed it more important to hear from the witnesses.

Since our time is so precious, and we are frequently interrupted by Floor votes, I have made my practice to spend the lion's share of the time receiving testimony and giving Members the opportunity to question the witnesses. In light of the expressed desire of some Members to make opening statements, we are going to try something on an experimental basis, to recognize Members who are present when the hearing comes to order for 1 minute to make any statement they wish. That, I think, is manageable, even if we have a full house. I intend to enforce the time limit so that we may proceed to the testimony.

So it is my hope this compromise will enable us to strike the appropriate balance between these two conflicting demands on our time.

So, at this point, I will recognize Mr. Ackerman for 1 minute, should he desire.

Mr. ACKERMAN. I do, but before my minute, Mr. Chairman, can I comment on the new procedure?

Chairman HYDE. You surely may.

Mr. ACKERMAN. I would like to say that the Members of this Committee, certainly possibly more than most others, are policy wonks, and I think it is a very important part of our deliberations for Members to hear from each other. The ability, especially of Members of the Minority, regardless of which party is in the majority, to be able to speak on these issues at important hearings is one of the few rights left to the Minority in order to get its point on the record.

Most Committees do have the 5-minute rule for Members. I appreciate the Chairman's willingness to compromise, and I would ask one other consideration. Very often, the Full Committee takes up matters that sometimes are not taken up in the Subcommittees, so this is the first time that a Chairman or a Ranking Member of a particular Subcommittee gets to discuss the issue before the Committee. Would it be possible that, along with what the Chairman has stated, that we allow both the Chair and the Ranking Member of the appropriate Subcommittee to which the matter would ordinarily be discussed to have the full 5 minutes and then proceed as the Chairman described?

Chairman HYDE. That is a reasonable request. Can I think about it?

Mr. ACKERMAN. Absolutely. You are a reasonable man, and I am sure you will come to a reasonable conclusion. Thank you, Mr. Chairman.

Chairman HYDE. Thank you.

Mr. ACKERMAN. If I might proceed with the—

Chairman HYDE. I might also say that when it comes to question time, the faster we can get past opening statements to question time—each Member has 5 minutes. It is the custom, I have noticed over 30 years, that everybody makes a speech for 4½ minutes of their 5 minutes and then asks a very complicated question which takes 10 minutes to answer, and our schedule goes awry. But I do agree that this Committee certainly wants to hear from each other on these issues, and we will try to do that, but, I think, hearing from the witnesses and getting to question them is the most impor-

tant part, but we will try to compromise. The gentleman is recognized for 1 minute.

Mr. ACKERMAN. I thank the Chair and Mr. Lantos as well for scheduling today's hearing and having two such very distinguished witnesses.

For 4 years now, the Bush Administration paralysis on North Korea policy has puzzled me. I just cannot figure out if the President does not think that North Korea is much of a threat and so does not believe we need to deal with them or whether he believes that if we just pressure them enough, a regime willing to starve its own people to ensure its survival would collapse.

Whatever the President may believe, the only tangible progress on this question that I see is the Six-Party Talks themselves. I sense, however, that the Administration sees multilateral diplomacy as merely a way to deal with those problems that it does not take seriously. Iran is, I believe, a case in point.

It seems to me that the Administration needs to answer two fundamental questions: First, is it better to live with the current regime minus their nuclear program, or do we have to eliminate the current regime, whether they have nuclear weapons or not? And, second, what does North Korea really want, and what can we offer them to get the outcome that we want? Four years later, we are no nearer to an answer to these questions. And, lastly, I hope that the witnesses will comment on the important and unusual memorandum released by the North Korean Foreign Ministry last week.

Chairman HYDE. The gentleman's time has expired.

Mr. Lantos, you, of course, have such time as you wish to consume.

Mr. LANTOS. Thank you, Mr. Chairman. I want to apologize to you and to our distinguished witnesses. The widow of our late colleague, Bob Matsui, was just sworn in on the Floor of the House of Representatives, and members of the California delegation joined her, and that is why I am late.

Mr. Chairman, I would first like to commend you for holding this important hearing and for your leadership on the issues related to the Korean peninsula. Given the impact of the North Korean nuclear issue to our national security, today's meeting is both timely and important.

As you know, Mr. Chairman, a few weeks ago, I spent 3½ days in intensive discussions in Pyongyang. And as fortune would have it, following my visit to Beijing, where I met with the Chinese leadership discussing my visit to North Korea, my first chance for a serious, in-depth discussion regarding the results of my trip was with Dr. William Perry, who happened to be in Asia at the same time. Bill Perry and I had an extremely valuable discussion about North Korea's nuclear program and negotiating strategy, and I left our meeting with an even greater appreciation for Bill's keen intellect and sound judgment.

Bill, I am glad to see you before us today, and I am, of course, equally pleased that we will hear from another of our Nation's foremost experts on the Korean peninsula, Ambassador James Lilley, whom I have known for years and who has served our Nation with so much distinction.

Mr. Chairman, when I first landed in Pyongyang in early January, the reception I received was unfriendly and hostile. After listening to my interlocutors' stale, Stalinist rhetoric, I told them that I was too old for slogans, that I have come to North Korea in mid-winter to have serious and substantive discussions.

Over the next few days, the North Koreans gradually became convinced, or so it appeared to me, of my constructive intentions, and the climate changed to one of mutual respect and occasionally even cordiality. After my departure from Pyongyang, the North Korean Government issued a statement saying that they wished to have friendly relations with the United States.

But, Mr. Chairman, as the widely conflicting statements emanating from Pyongyang over the past few weeks clearly demonstrate, the North Korean leadership has yet to make a threshold decision to return to the Six-Party Talks and, perhaps most importantly, irrevocably and verifiably to give up their nuclear program.

I do believe the Six-Party Talks will resume, and when they do, I hope that all parties will learn from past mistakes if we are to reach a comprehensive deal. For our part, the United States must be willing to treat the North Korean negotiators with respect and cordiality. The North Koreans must feel that there will be a new, multifaceted relationship with the United States at the end of the road, and to achieve that objective, it is imperative that the President send a negotiator to the Six-Party Talks who speaks for the President and actually has authority to negotiate. The deep divisions that have plagued American policy toward the Korean peninsula for some years now must be healed.

The Six-Party Talks will also not succeed unless the Chinese and the South Koreans learn from their mistakes. We welcome China's sponsorship of the Six-Party Talks, and, yesterday, I had a very productive and very long meeting with Chinese Ambassador Ning Fukui, who negotiates the nuclear issue with the North Koreans. It is my strong sense that we will not get a comprehensive agreement unless the Chinese exercise their extensive economic and general leverage on North Korea, including the provision of over 90 percent of North Korea's energy needs.

Our alliance with South Korea remains strong, but we must reforge a common front with Seoul on the North Korean nuclear issue. South Korea has been overly accommodating to the North over the past few years, and the various forms of economic assistance provided to Pyongyang have significantly decreased the incentive the North has to conclude a realistic deal.

Mr. Chairman, most importantly, the North Korean leadership has a fundamental choice to make: To continue their policy of stalling and obfuscation related to North Korea's weapons of mass destruction or to verifiably give up their nuclear and missile programs to win international assistance that will directly benefit the day-to-day lives of the North Korean people.

When I was in Pyongyang, I urged the North Korean leadership to study carefully the Libya model. With his decision to load its weapons of mass destruction on planes and boats bound for the United States, Colonel Qaddafi fundamentally changed the regional security situation in the Middle East, the economic structure of his own country, and the education and economic opportunities avail-



able to the next generation of Libyan leadership. Libya, today, is on its way to being integrated into the community of nations, and North Korea has precisely the same opportunity to do so. This depends on the leadership willing to make an historic decision to change the course of their nation.

As the chief democratic sponsor of the North Korea Human Rights Act, I also had very frank conversations with the North on the need to improve dramatically their human rights situation. Passage of the legislation did not indicate hostile intent by the United States; rather, it was a statement that the American people have not forgotten the plight of North Korean citizens living under extremely repressive conditions and that our dialogue with the North, as it does with every country on the face of this planet, will always include the issue of human rights.

Mr. Chairman, it remains my strong hope that 2005 will be the year for a breakthrough in the Six-Party Talks. It will take a lot of hard work and good faith from all parties to get to that point. I hope that the Executive Branch will rely upon the expertise of our witnesses today to increase the chances of a concrete result emerging from the Six-Party Talks. I thank you very much.

Chairman HYDE. Thank you very much, Mr. Lantos.

I will now take such time as I may consume for my opening statement.

For over a decade, as the eyes of Washington and the world have turned progressively toward other crises and other places, a dark cloud has been slowly rising over the Korean peninsula. The question today is whether that cloud has taken a mushroom shape and, if so, what should we do?

The Korean peninsula, while small in global terms, is of strategic importance. We used to refer to it as a "dagger aimed at the heart of Japan." We do not say that anymore, but it is of great strategic importance. It lies at a crossroads where great military and economic power comes together: Japan, China, Russia, and Alaska. The Korean people have long recognized their homeland's vulnerability as a potential point for great power conflict.

"When whales fight, shrimp get broken," runs an old Korean proverb. The whales have, indeed, come to the Korean peninsula where they waged bloody wars. Almost exactly a century ago, in the spring of 1905, the capitals of Europe were stunned when the emerging Asian power, Japan, sank the Imperial Russian Fleet in the waters off Korea. The repercussions of Tokyo's rousing victory in the Russo-Japanese War were felt throughout the 20th century. Imperial Japan, with a new confidence, began its long march toward empire. This was a march which reached its zenith of imperial overreach on a quiet Sunday morning almost four decades later at Pearl Harbor.

Imperial Russia, shaken to its foundations by its unexpected defeat, entered a period of instability which culminated a dozen years later in the Bolshevik Revolution. The repercussions of that revolution continued throughout the 20th century until the Berlin Wall became a pile of rubble in 1989.

Almost 50 years after the clash of Russia and Japan over Korea, the peninsula again became ground zero with the outbreak of the first major Cold War conflict. North Korea, on a quiet Sunday

morning in June, suddenly and deliberately attacked the Republic of Korea. Two other great powers, the United States and the People's Republic of China, were soon engaged in a 3-year-long conflict which left over 36,000 Americans killed, some 17,000 allied dead, and as many as 2,000,000 Korean civilian and military casualties.

The question before us, then, is: Will history repeat itself in its 50-year cycle of cataclysm in Korea, or can a unified, measured, diplomatic response within the framework of the Six-Party Talks resolve this crisis in a peaceful manner?

Pyongyang must realize that a nuclear-free Korean peninsula is a fundamental principle to which its neighbors unanimously subscribe. There is no substitute for the complete verifiable and irreversible dismantlement of Pyongyang's nuclear weapons and other weapons of mass destruction. While Pyongyang's rulers may find such an inspections regime intrusive, they must realize that after such previous failed attempts as the well-intentioned but ill-advised Agreed Framework, they have zero credibility on nuclear issues. To paraphrase an expression of President Reagan with regard to Pyongyang, one should trust very little and verify completely.

North Korea should be under no illusions concerning congressional support for normalization of diplomatic relations until it provides a complete cessation of its proliferation activities and an accounting of the abduction of both Japanese and South Korean citizens. Those abducted include the Reverend Kim Dong-Shik, the spouse of an Illinois resident who is of particular concern to that State's congressional delegation.

Our colleagues, particularly China and South Korea, may have to reconsider the degree to which they shower assistance on a regime which has added nuclear blackmail to its arsenal of threats. The entire existing delicate security balance in Asia will be deeply affected by a failure to address North Korean nuclear adventurism.

We and Seoul should, as allies, work together to meet this challenge, as we have done most recently in Iraq. The Republic of Korea has provided the third-largest contingent of forces in the coalition working together in Iraq. For that commitment by Seoul, the American people are extremely grateful. However, mixed signals on the security question coming from Seoul only compound the challenge we face with North Korea.

The Republic of Korea Ministry of National Defense White Paper for 2004 contained an apparent contradiction, which causes some confusion. On the one hand, it deleted the designation of Pyongyang as the main enemy, although Pyongyang's continued hostility has been a major rationale for the U.S.-ROK alliance.

Secondly, the White Paper stated that in the event of armed conflict in Korea, the United States would dispatch 690,000 troops, over four times the 150,000 United States forces now serving in Iraq. This seems to reflect great expectations at a time when U.S. resources are already elsewhere committed. Congress would certainly have a major role in examining the implications of such a massive deployment. It also raises a very germane issue: If you need our help, please tell us clearly who your enemy is.

Finally, let me note the disquietude with which we must view Pyongyang's attempt to make Washington, rather than itself, the

focus of scrutiny over supposed hostile intent. Pyongyang's latest maneuver is to demand an apology from Washington for Secretary Rice's recent reference to "outposts of tyranny." Is there any doubt in this entire country, much less in this room, that the North Korean regime is tyrannical? It is increasingly clear that this is a red herring designed to distract attention from the real proliferation issue at hand. It is equally true and disturbing, however, to note that these propaganda efforts are being met with increased receptivity by younger and left-leaning elements in Seoul.

Questioning the United States over hostile intent turns history on its head. It was not the United States that launched an attack in 1950. The United States did not attack North Korea when Pyongyang seized our ship, *The Pueblo*, in 1968 and held its crew hostage for 11 months. The United States did not attack, even when North Korean soldiers murdered Major Arthur Bonifas and First Lieutenant Mark Barrett with axes in the demilitarized zone in 1976. The United States has never threatened to turn Pyongyang into a sea of fire, as North Korea has threatened to do to Seoul. Allegations of the hostile intent of the United States are patently ridiculous.

Let me confirm here our continued concern over North Korean hostile intent directed at the Republic of Korea. This intent has historic reality and is a major reason for the stationing of United States forces in South Korea. North Korea must give concrete indication of the abandonment of its own hostile intent for engagement to proceed.

In this regard, the experience of Germany during its years of division is often cited as an example for present-day Korea. A vital part of Chancellor Willy Brandt's policy of rapprochement with East Germany in 1972 was the establishment of reciprocal, permanent missions in each of the German capitals. I would suggest, in future discussions within the Six Party framework, that the two Koreas consider the establishment of missions in Seoul and Pyongyang along similar lines until Korean reunification is peacefully achieved.

In the meantime, we and our South Korean allies must stand together. Any potential miscommunication will only play into Pyongyang's hands.

We have many questions of critical importance regarding Korea to address today, and we look forward to hearing from our expert witnesses, and I am pleased to recognize Mr. Leach for 1 minute.

Mr. LEACH. I thank the Chairman for his thoughtful introduction and his offer for Members to make opening comments, but I would respectfully decline and simply congratulate him and the Ranking Member for their wise comments.

Chairman HYDE. Mr. Faleomavaega is recognized for 1 minute.

Mr. FALEOMAVAEGA. Mr. Chairman, I also appreciate the kind invitation of the Chairman and our Ranking Member for allowing Members to speak for 1 minute, and recognizing also our two distinguished witnesses that will be testifying this morning. I also would like to defer at this time and look forward to hearing from our witnesses. Thank you.

Chairman HYDE. Thank you. Mr. Tancredo?

[No response.]

Chairman HYDE. All right. I would like to welcome Dr. William Perry, who was kind enough to join us from California where he is currently a Michael and Barbara Berberian Professor at Stanford University. Dr. Perry was the 19th Secretary of Defense, serving from 1994 to 1997 under the Clinton Administration, and we are most grateful for your presence, Dr. Perry.

Ambassador Lilley served as American Ambassador to the Republic of Korea from 1986 to 1989, immediately followed by his Ambassadorship to the People's Republic of China until 1991. Most recently, he became a Senior Fellow in Asian Studies at the American Enterprise Institute, and we welcome Ambassador Lilley.

We will recognize Dr. Perry for a statement that we hope can be encapsulated into 5 minutes, give or take. Your full statement will be made a part of the record.

**STATEMENT OF THE HONORABLE WILLIAM J. PERRY, MICHAEL AND BARBARA BERBERIAN PROFESSOR, STANFORD UNIVERSITY (FORMER SECRETARY OF DEFENSE)**

Mr. PERRY. I will limit my statement to 5 minutes, and I ask that my written statement be entered into the record.

Chairman HYDE. Without objection.

Mr. PERRY. I am pleased to testify to this Committee today, and I am especially pleased to do so in partnership with Ambassador Lilley, a good friend and colleague. I have read his testimony with great interest, and I commend his testimony to you for careful reading. The historical statement he gives is very important and very relevant to the issues we are facing today.

I am going to focus my comments on more recent history, and I am going to focus them specifically on the nuclear threat. We have many concerns with North Korea, but the nuclear threat, I think, is the greatest single issue that we must face today. I will talk about two crises with North Korea—the one in 1994 and 1999—in which I had personal experience and which I have, therefore, something specific to say to this group.

I will remind you that, in 1994, North Korea, as it was finishing its fuel cycle at the reactor Yongbyon, announced that it was going to reprocess that fuel. Had they done that, this would have given them enough plutonium to make five or six nuclear bombs.

At this time, I was the Secretary of Defense. I considered then that such an action would pose an unacceptable risk to the security of the region and to the security of the United States. Accordingly, I had a military contingency plan prepared for attacking Yongbyon with cruise missiles. My judgment then was that this plan would have been successful in completely destroying and dismantling the facilities at Yongbyon, but I also recognized that it could result in a second Korean war. Therefore, I recommended that this plan be put in reserve while we first tried a course of coercive diplomacy, including successfully more damaging sanctions in which we would be joined by South Korea and Japan.

But even the sanctions could have provoked a military action by North Korea; and, therefore, I reviewed, at that time, in some detail, our military contingency plan in the event that North Korea made an attack on the South. This review showed that the allies would certainly defeat any attack from the North but that the cas-

ualties would be very heavy. It also indicated that we could substantially reduce the casualties by reinforcing our military troops prior to any such attack; and, therefore, I recommended to the President that he authorize this reinforcement before he invoked any sanctions.

I was literally in the cabinet room discussing with the President which level of reinforcements we were going to make when a call came in from Pyongyang that Kim Il Sung was prepared to freeze the facility at Yongbyon. That freeze, then, a few months later, led to something called the Agreed Framework.

The relevance to this story today; let me summarize them briefly. I believed then, and I believe now, that a nuclear arsenal in North Korea poses an unacceptable risk to our security; secondly, that the threat is serious enough that we should be willing to risk a military confrontation to stop North Korea from getting such an arsenal; and that a second Korean war would entail so many casualties, that we should make every reasonable effort to avoid such a war; that is, we should be certain that we have exhausted all of our diplomatic alternatives before we resorted to war. But I also believe that those diplomatic alternatives are most likely to be successful if they entailed a credible threat of military action; that is, coercive diplomacy.

That crisis was ended later that year by the Agreed Framework. This agreement was successful in freezing Yongbyon for 8 more years. This is no small accomplishment because if Yongbyon had been operational during those 8 years, the North Koreans could now have an arsenal of 50 to 100 nuclear weapons. So that is what we bought with the Agreed Framework.

But this agreement clearly did not stop the North Koreans' nuclear ambitions, to have nuclear weapons. It now appears that during the last few years they have been pursuing a covert program to produce highly-enriched uranium, which, of course, is an alternative route to nuclear weapons. But I want to emphasize that the plutonium capability at Yongbyon is a greater and more imminent threat than the uranium, but, in time, the uranium program could lead to a nuclear arsenal.

The second crisis in which I was involved was in 1999. I was not in government at the time; I was back at Stanford teaching. At that time, the North Koreans fired a long-range missile into the Pacific, and this precipitated a crisis in which the President asked me to come back as a part-time employee to help formulate a new North Korean policy.

We considered the missile firing serious not because of the missile itself, but because it was indirect evidence that North Korea was still pursuing nuclear weapons. A long-range missile makes no military sense with a conventional warhead. That was why we were so concerned about the long-range missile.

I spent 6 months on detailed preparation for the talks, mostly primarily meeting with our allies in Japan and South Korea to arrive at a coordinated position for approaching the North. I also had detailed discussions with the Chinese and the Russians at that time. Based on that, I did prepare a proposal to North Korea, reviewed it with the Congress, got the approval of all three of the allied leaders, and went to Pyongyang to present the proposal.

In sum, the proposal offered two alternatives to the North. If they agreed to verifiably give up their nuclear program and their long-range missile program, the allies agreed to move on a path to normal relations. If they did not, I told the North, the allies were prepared to take whatever actions were necessary to stop those programs.

I believe that the North could have accepted this proposal, but we cannot know that for certain since the discussions were still underway at the time of the Administration change, and, at that time, the proposal was withdrawn. In particular, the two sides had not yet agreed on a satisfactory verification program, and in light of what we now know about the North's covert program in enriched uranium, it is reasonable to believe that our insistence at that time on a comprehensive verification program could have been a deal-breaker. So I cannot say for certain if that proposal would have resulted in a final agreement.

Now, this history is relevant because it indicates clearly the interest in the North in reaching an agreement; secondly, because it indicates the importance, the absolute importance, of a comprehensive verification program in any agreement we reach with the North, and it indicates the importance of other parties' help in reaching and enforcing any agreement. In particular, China should be able to play a pivotal role that was not fully available to us in 1999.

Mr. Chairman, I would like to conclude with the following brief statements.

Number one, I am not confident that we can reach an acceptable agreement with North Korea. I have no evidence of that at this point.

Secondly, I believe we should aggressively explore that possibility.

Third, I believe the Six-Party Talks is the appropriate venue for that exploration.

And, finally, I believe we should do it with some urgency. Time is not on our side. While we are talking, they are building, so I think there is some urgency. Thank you, Mr. Chairman.

Chairman HYDE. Thank you very much, Dr. Perry.

Ambassador Lilley.

**STATEMENT OF THE HONORABLE JAMES R. LILLEY, SENIOR FELLOW, AMERICAN ENTERPRISE INSTITUTE (FORMER AMBASSADOR TO THE REPUBLIC OF CHINA)**

Mr. LILLEY. Thank you, Mr. Chairman. I am going to approach this from a somewhat different point of view. I respect Dr. Perry's analysis of the situation, and I think he has laid before you a reasonable proposition for dealing with the North Korea problem.

I feel that we have to grab hold of the intentions of our partners in greater depth than we have had before, and that is why I have gone into a lengthy statement on the historical background. I am suggesting we build on our existing agreements which include North Korea to establish a planning group with a staff to set the parameters for a northeast Asian mutual-development organization. The participants would be the six parties engaged in talks in Beijing, namely, Russia, China, the United States, North and

South Korea, and Japan. The basic purpose would be the achievement of a denuclearized Korean peninsula under an inspection regime based on the 1991 Joint North-South Denuclearization Agreement.

The second component would be a regional development plan coordinating the resources of all participants to promote economic progress in the Manchurian-North Korean area. In addition, such compatible projects could be considered as HIV/AIDS cooperation, the pollution problem, and transportation improvements.

My point is that we need an attractive, positive program to draw in North Korea while we establish certain criteria for membership. We have to select programs which would encompass and reconcile the diverse objectives of the participating powers. For instance, South Korea sees economic cooperation with the North as the first priority and the most effective means to get at the North's nuclear weapons program. China seeks to sustain the North Korean regime as a critical, compliant, neighboring State. It also sees its important role in North Korea as leverage on the United States.

The nuclear question becomes important, but secondary, to China. Japan is mostly concerned about the North Korean missile and nuclear programs but also is fixed on resolving the abductee problem. The U.S. has, so far, focused narrowly on the weapons of mass destruction problem and has fashioned its responses and policy to deal with this particularly dangerous issue. Incentives and disincentives are shaped by the weapons of mass destruction program, whether in the Six-Party Talks or in the Agreed Framework.

We have succeeded, at considerable financial cost to ourselves and our partners, in engaging North Korea in a broader set of issues than the Military Armistice Commission in the past. South Korea has moved further by establishing an industrialized zone, arranging a summit, and beginning work on transportation links, but it has been subjected to continuous insults, proscratination, and marginalization of South Korea on the nuclear issue. North Korea has, however, moved cautiously toward limited economic reforms which started in 1992. Free local markets are increasing, the society, at the grassroots level, is being monetized, and some progress has been made in actually feeding its people.

In crafting this proposed new organization, we have to be aware of the historical factors which influence the policies of our partners: The long rivalry between Japan and China over the Korean peninsula; the ebb and flow of dynastic change on the Korean peninsula; the justified feelings the Koreans have against foreign manipulation and intervention; and the blood ties between Korea—North and South—which have been shattered by warfare and hatred but which persist and exert a strong influence, especially on the younger generation in South Korea.

We also must recognize the nature of the North Korean regime, its long track record of violence, its almost total control of its population through indoctrination and draconian means, and its desperate attempts at survival as a failed State among richer and more successful surrounding powers. It has an ability to negotiate from weakness, using its alleged nuclear and conventional threat to gain significant economic advantage for itself. Its long experience playing off the Russians against the Chinese, the United States

against South Korea, and everybody against Japan, demonstrates a cunning and skillful adversary.

No one minimizes the difficulties we have to move on this, but this is one we are going to win, and it is very important we get on a winning wicket and move on at this point. Thank you.

[The prepared statement of Mr. Lilley follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES R. LILLEY, SENIOR FELLOW, AMERICAN ENTERPRISE INSTITUTE (FORMER AMBASSADOR TO THE REPUBLIC OF CHINA)

The problem of North Korea's nuclear weapons is a primary challenge primary to all of Asia that can be best managed by a comprehensive approach involving all countries in Northeast Asia plus the United States. The six-party talks in Beijing provide a framework and a starting point. The single issue of Nuclear weapons which sparked the talk needs to be expanded to include a regional economic development plan plus overall security guarantees. In short, the six party meetings should evolve into a zone of peace and development with a denuclearized Korean peninsula and possibly including Japan.

This nuclear weapons issue should be viewed first in an historical context which encompasses the diverse objectives of the concerned nations as well as their long term interests in the Korean peninsula. There are of course new developments in the current security "Crisis". But if we are to act effectively, the trends leading to current situation need be understood.

For instance, China's involvement in the peninsula goes back at least 3000years, one of the most recent arguments between China and South Korea over the Koguryo Dynasty is not without relevance to today's situation. The Koguryo Dynasty ended in the seventh century A.D. after a 600-year reign. It was based in North Korea and included a large chunk of Manchuria. The Chinese argue that Koguryo was a peripheral part of China, hence North Korea, by this definition, historically belongs to China. South Korea argues that Koguryo was an independent Korean Dynasty and historically part of Manchuria belongs to Korea. When I was in Pyongyang in January 1995 I saw an ancient wall map which depicted an enlarged Koguryo map which included large parts of Manchuria. The Koguryo Dynasty was overthrown by the Shilla Dynasty which was based in South Korea, and this was accomplished with the help of China's Great Tang Dynasty. So an issue which appears esoteric can be relevant. China has used historic allegory and shad diplomacy in the past to support current territorial claims, including its sweeping claims in the South China seas.

More recently, at the end of the 16th century, to be more precise, Japan was driven from Korea with some help from China. China later lost its influence in Korea in 1895 when Japan defeated China and seized Taiwan and eventually Korea in 1910. The role of the U.S., as far as Koreans are concerned, was less than helpful. In the Taft-Katsura agreement of 1905, U.S. accepted Korea as a Japanese protectorate and no Korean ever forgets this. China militarily intervened to save North Korea in 1950 and to prevent a unified Korea on its borders under Seoul allied to the United States. In this process, China was deprived of Taiwan when the 7th Fleet was ordered into the Taiwan Strait. Chinese troops in North Korea remained until 1957 and China provided massive economic military aid to restore North Korea. This has not been fully acknowledged by North Korea. The policy of full Chinese support for North Korea lasted until the late 1980s when China saw the successful rise of South Korea, the collapse of the Soviet Union, and the deterioration of North Korea. It saw an opportunity to shift its policy and to start influencing the probable winner, South Korea, China joined the Olympics in Seoul in 1988 over North Korean protests and recognized South Korea in 1992. At the same time, it deftly managed the entry of both Koreas into the United Nations over North Korea initial objections.

A wise Chinese expert on North Korea who interpreted for Chinese and North Korean top leadership emphasized to me the long term trend in Chinese policy towards the Korea peninsula. He said, "We fought you between 1950-1953 and did not recognize a thriving South Korea for over 40 years, but today we are expanding our influence peacefully in South Korea and North Korea is dependent on us economically and strategically". He said North Korea had adopted a Stalinist economic model and North Korea would face massive starvation. He said this three years before North Korea had its disastrous famine in the mid-1990s.

China seeks to increase its influence on the peninsula and reduce over time the foreign military, principally the U.S., presence. But, in the Chinese view the current situation is volatile due in part to North Korea's adventurism with WMD, and the



expansion of U.S. military power and influence on China's periphery. This situation could jeopardize China's primary focus on its economic development by increasing the chances of a military confrontation, as well as creating instability in China and its neighbors. So China has taken a leading role in the six-party talks. It does perceive the U.S. as a strategic competitor who inhibits China's sovereign claims in areas such as the Senkaku islands, Taiwan and the South China Sea. But it also sees the U.S. as an important commercial partner. China will act in its own interests on the Korean peninsula and will not necessarily accommodate U.S. interests and it sees North Korea as a useful buffer and as a distraction for the U.S.

South Korea is going through a major shift in its approach to North Korea. This did not start yesterday. Back in 1972, the authoritarian government of President Park Chung-Hee initiated the first substantive contacts with North Korea. This earlier attempt atrophied but never totally stopped despite the violence inflicted on the South by the North. A high point was in the period 1991–92 when the democratically elected government of former general Roh Tae-Woo reached two significant joint agreements with North Korea at the premier level on denuclearization and reconciliation. Again these agreements achieved little. In 1994 the US moved in and took over the primary contact with the North Koreans in order to defuse a crisis created by North Korea using its nuclear weapons program. Under president Kim Dae-Jung of South Korea a renewed effort was made to reconcile with the North. This culminated in the North-South summit of June 2000 which resulted in accelerated contacts and a series of ambitious development projects most of which remain unfulfilled, largely due to North Korea's unpredictable behavior and inordinate demands. The momentum is however still there. When I went to North Korea in January 1995 I carried with me Kim Dae-Jung's three-point proposal for gradual unification. I gave it to the North Koreans and they accepted it although they were undoubtedly fully aware of its contents. I wanted to let the North know that at least one extinguished diplomat was not a *splittist* and in fact favored moves toward reconciliation and eventual unification by the Koreans themselves. The Koreans told me later in private that the dear leader himself had approved my visa despite my reactionary background.

The South Koreans see reunification as a national issue. Their blood brothers in the North are failing, suffering and starving, but they remain proud and defiant. Their demand for respect and dignity and their sovereignty fixation are all very Korean. The South Korean leadership and its support base believe that connecting roads and railroads, expanding exposure through tourism, setting up industrial zones and carrying out cultural and sports exchanges will gradually relieve some of the suffering and bring the North into the modern world. This in turn would create conditions for a gradual peaceful reunification. In this process, North Korea's erratic and menacing behavior needs to be tolerated and has been rationalized by the South. Both the North and the South share a suspicion of foreigners. The last one thousand years of their common history has been inflicted with colonization, war, invasion, pillage by more powerful neighbors. The sacred mountain Paektusan lies on North Korea's border with China. Its isolation has led North Korea to turning inward, and becoming the hermit kingdom. This is in part protection against foreign exploitation, South Korea has Hallasan—also an extinct volcano on the Southern Sea coast facing outward—South Korea has become a part of the world. Foreigners are acceptable and can be helpful. These two influences are at work in all Koreans in varying degrees. I recall in 1995 in Pyongyang we sang sad Korean folk songs learned in the South. The Northerners knew the words and joined in.

So both China and South Korea have different perspectives on North Korea. They share to a degree our singular concern about weapons of mass destruction in the hands of North Korea. But they contend this problem can be dealt best within a larger context and thus they support the multi-lateral approach.

But they want considerable latitude for their own agendas. They insist on no unilateral preemptive strike, not even as a last resort, or even as a coercive threat. The South Koreans understand that a U.S. strong military presence is necessary as a credible deterrence, and is also needed for economic stability. They do share the objective of economic reform and humanitarian aid, but they care less than we do about monitoring it. In sum, they want to do it their way, not ours. Both South Korea and China have in the past used economic leverage but they have kept it controlled and conditioned by their own biases. There is evidence China's enormous economic aid is not well monitored and South Korea has reportedly used large blobs of bribery for immediate advantage.

After this brief exposure to a very long and complex historic experience, I will try to become more contemporary, North Korea is basically a failed state whose priority is survival. Its Achilles heel is its need for foreign economic assistance. It is sur-

rounded by successful modern and powerful states Japan, China, South Korea who have the assistance they need to survive.

The most dangerous threat from North Korea, in the US view, is the proliferation of WMD or elements of it to terrorists or to states sponsoring terrorism. This is not shared fully by South Korea or China. Their assumption is that the combined power of the surrounding states can deter any use of WMD by North Korea against them and this is their primary concern. The North Korean WMD are aimed at the U.S. The terrorists, they assume, are also targeted at the U.S. The neighboring powers have in the past tried regional economic cooperation such as the Tumen river project but so far with little success. But with the addition of the US and a reenergized Japan this may now be the time that a broad regional approach could actually work. It could be used to defuse the nuclear weapons problem. The six powers could meet to draft a protocol which would establish the overall objectives, requirements for participation and define some specific areas of possible immediate cooperation such as HIV/AIDS prevention, international crime, detection of national disasters, pollution. Work could begin on establishing parameters for a nuclear free zone and multi-lateral (and even bilateral) security guarantees among the six states. International financial institutions would be on the agenda and all five could support North Korea's accession to them given that North Korea meets the appropriate conditions. I know for instance that North Korea wants to join these IFIs to get at their money.

North Korea would have to meet their requirements for membership including transparency. The initial emphasis however would have to be on strengthening and tightening the loose coalition in the six-party talks. This could later include getting the cooperation of others such as Southeast Asia (ASEAN) and Europe. All of these countries have taken positions against North Korea's nuclear weapons. It remains to organize joint incentives and disincentives powers to bring around North Korea. If North Korea continues to reject participation then the five remaining powers can start to work without North Korea, with an open invitation to North Korea to participate in the preparatory talks.

North Korean tactics are by now familiar. The February public announcement that it has nuclear weapons, that it will not rejoin the talks and its reiteration that the problem is U.S. hostile policy are standard positions used to extract material concessions. The North has been paid handsomely to join previous talks. But this tactic should no longer be used. It is important for North Korea to understand this. Managing the nuclear weapons will be tougher in view of the February announcement, but the solution lies in an across-the-board arms reduction program as spelled out in the joint Korean agreements of 1991-92 where intrusive inspections applied to both parties and the U.S. The benefits for North Korea that would derive from joining the regional organization could only come with verifiable denuclearization. In the longer run, the regional organization could develop cooperative efforts to combat narcotics, intellectual property rights violations plus counterfeiting of all sorts, illegal immigration and border crossings. Summit level meetings could eventually be in the cards. Recognizing that Japan and China have historically been the major competitors on the Korean peninsula, this could provide them a common framework for positive action. South Korea has already begun to establish itself in North Korea in the Gaeseong industrial complex along with the beginnings of investments and future communications link ups (see attachment two). South Korea has persevered in these efforts in the face of continuing insults, the latest being a break off of North-South talks by North Korea on the pretext of the South kidnapping over 400 North Korean refugees from Vietnam. North Korea has in the past skillfully played off the Soviet Union against China and influenced the internal debates in South Korea. It has successfully maneuvered China, the U.S. and South Korea out of enormous sums of money, food and energy with little reciprocity. To break this pattern is our objective.

But we also know what works: a strong consistent position backed up with power and with a way out for North Korea. The armistice agreement of 1953, the tree cutting incident of 1976, the resolution of the Pueblo case in 1968 all are instructive. (See *Over The Line* published by American Enterprise Institute press in 1999 for details on these 3 incidents)

North Korea's conventional military is decaying. It has not yet pulled off a successful sabotage or paramilitary operation in the 21st century. It has not tested a nuclear weapon and it has not fired the multistage Taepodong since 1998. There have been a few tentative but flawed attempts at economic reform since July 2002. Some more farmer markets are appearing and goods and food are more available. The private sector is growing rapidly as the government sector shrinks.

Previous attempts at industrial zones at Najin-Sunbong and Sinuiju have flopped but Gaeseong seems to hold more promise. There are already direct access routes to South Korea from Gaesong. All recognize North Korea still has stringent internal

controls and remains a totalitarian state which makes progress halting and difficult. When I went to China in 1973 it was still in the throes of the Cultural Revolution. Four years later, China moved to economic reform which changed the world. North Korea has no Deng Xiaoping nor does it have Chinese sophistication. But someone may be trying to break out of the self-imposed cage. In the end, this is one we cannot lose. We hold the good cards—it remains for us to play them more skillfully.

Attachments:

1. 3 November 2004, Asia Wall Street Journal, “Stay The Course With North Korea” by James Lilley.
2. Table showing South Korea’s investments in Gaesong.

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THE WALL STREET JOURNAL; NOVEMBER 3, 2004

STAY THE COURSE WITH NORTH KOREA

By JAMES R. LILLEY

Whoever has won the U.S. presidential contest should support continuing the multilateral approach to convince North Korea to give up its nuclear program. John Kerry, the Democratic candidate, has strongly backed holding direct talks with Pyongyang as the best way to get the communist state to disarm. But should he have won, he must quickly realize that President George W. Bush’s preference of the “six-party talks” is the best approach.

The talks, hosted by China, provide the most effective means of resolving Pyongyang’s nuclear threat and of putting it on the path of economic reform. China, the United States, South Korea, Russia and Japan—the five parties facing North Korea—have already agreed on four basic principles: 1) No weapons of mass destruction should be allowed on the Korean peninsula; 2) North Korea is in desperate economic condition and needs both economic reform and humanitarian aid; 3) There will be no preemptive military attack, and 4) the negotiations must be multilateral.

The overriding problem is rooted in North Korea’s pursuit of WMD and its powerful conventional military forces. Its track record of violence, assassination, frontal attack and its closed ideology of *juche* (self-reliance) combine to create an isolated and aggressive state immune from international standards and conduct. Its economy has been shattered by lunatic social engineering and brutal Stalinist control, which has resulted in massive starvation, a failing industrial plant and the sale of narcotics and missiles for revenue. The state cannot feed, clothe or warm its people without outside help. So much for “self-reliance.” It has put its limited money and resources into its military and thus has the capability to damage or even destroy its neighbors. It almost succeeded in doing this to South Korea in 1950 and could do it again.

This is clearly a regional problem, not solely an American one. The United States did try to ameliorate the nuclear-weapons problem in the 1990s with massive imputs of grain, oil and money into North Korea in the hope that Pyongyang would dismantle its nuclear-weapons machine. North Korea took U.S. aid, Chinese aid, and South Korean money and food while it kept physical control of its spent fuel rods, the raw material of nuclear weapons, and started a secret Highly Enriched Uranium nuclear weapons program. It allowed only controlled International Atomic Energy Agency inspection of its exposed nuclear reactors at Yongbyon and allowed an international consortium led by the United States to start building two giant nuclear power plants worth over four billion U.S. dollars. The North Koreans in private conversations with the Japanese and others could hardly believe how they had lucked out.

North Korean’s greatest concern now is that its neighbors and the U.S. will cooperate in getting it to give up its nuclear weapons and will condition their aid on compliance. The North Korean tactic in response is to finger the U.S. as the problem, propagandize about a U.S. military threat to its existence, characterize its military as defensive but use its military threat to extort money, food and aid of all sorts. The priority is to survive with the current regime in power by getting as much aid as it can without changing its system or giving up its ultimate tool, nuclear blackmail. To maximize its chances of success it must split the coalition, deal with each party separately, play one off the other, alternately threaten and make conciliatory comments to each side then deny what it has said. The North is not seeking agreements so much as concessions. This has been true since 1951, from the beginning of U.S. negotiations with them.

North Korea is delaying joining the six-party talks until after the U.S. elections in the hope that a new U.S., administration will revert to the generous policies of the 1990s. At the same time it is upping the ante by demanding that the U.S. drop its “hostile” policy.

North Korea means several different things by that. One is for the U.S. to give unconditional and substantial aid and help Pyongyang tap international financial institutions for funds. The U.S., of course, must also lift all sanctions and take North Korea off the state-sponsored terrorist list, extend diplomatic recognition and end the U.S. military presence in South Korea. North Korea has also refused U.S. demands that it dismantle its known nuclear facilities with adequate verification. This was not the pattern established in the 1990s by the Clinton Administration, which pleased the North Koreans.

Aid can come to North Korea, but not until it clearly demonstrates it is closing down its nuclear-weapons program.

North Korea’s demands and performance at the talks have infuriated its neighbors. It has backed off from commitments at the last minute, changed its story on the uranium program, and slandered the U.S. in a way that makes “Axis of Evil” sound like Sunday school talk. All of this mixed with the negotiators’ proclivity for the hard stuff, particularly brandy, which has impeded late-night negotiating sessions. And the North Koreans have not only demanded more money from their neighbors for attending the talks but also that they publicly criticize the U.S. for its “inflexibility.”

The U.S. held direct bilateral talks with North Korea under the umbrella of the six-party talks and is prepared to continue them. U.S. allies and friends, principally China and South Korea, are continuing their aid and development projects hopefully to draw North Korea gradually toward more rational economic policies. The U.S. should have no problem with this but the U.S. does encourage its partners to link greater aid to progress on reducing the nuclear threat.

One problem is that almost all participants in the talks have their own agenda with North Korea. Japan has the issue of abductees that North Korea has taken over the years; South Korea has an interest in developing the cross-border Kaesong industrial zone, and China has the North Korea refugee problem. These can all be managed bilaterally. WMD however, should be handled by all parties jointly since it is a common issue. China and South Korea, however, fear a North Korea implosion if it is denied aid, which could end up with millions of refugees, warlords with nukes, and major destabilization on Northeast Asia. North Korea can be said to put a gun to its own head and is threatening to pull the trigger if it is not bought off.

Human rights concerns should be brought up at the talks bilaterally by the United States with the expectation that others will eventually raise them too. North Korea’s brutal record with its own citizens is well documented by authenticated refugee reports, overhead photography and other reliable means. No civilized country can ignore the huge gulags in Northeast North Korea which contrast with the lavish life-styles of the North Korea elites. The United States, the world and especially Koreans everywhere need to speak out on the suffering of South Korea’s blood brothers.

The situation is bleak and dangerous but there is no way North Korea can prevail. It is a small failed state, surrounded by modern and successful countries, Japan, China and South Korea.

The first steps have been taken toward a regional approach. This could in turn lead to a North Asia regional security arrangement with North Korea eventually becoming a full and more prosperous partner. This would be designed to guarantee peace and stability in the area. It will not be easy, some say it would be like herding cats, but we are already on this path—this is not the time to reverse this trend, whoever is in the White House.

*Mr. Lilley is a former U.S. ambassador to China and South Korea and the author of “China Hands: Nine Decades of Adventure, Diplomacy and Espionage in Asia” (PublicAffairs, 2004).*

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### Status of Companies to Be Located into the Pilot Complex

	Company	Line of Business (Sub-classification)	Major Products	Amount of Investment IKRW in hundred millions)	Area of Lot Sale (pyong)
	Samduk Trading	footwear manufacture	footwear	49.6	2,438
	Munchang Co.	sewing/apparel	airplane working apparel	38	1,626
	Bucheon Ind.	electric power supply/ control devices	wire harness (electric wiring components)	45	2,438
1st Approval	Magic Micro	electronic components/video devices	lamp assembly (for LCD monitors)	30	1,220
	Yongin Electronics	electronic components	transformers, element coils	40	2,438
	Daewha Fuel Pump	automobile components	automobile fuel pumps	50.8	1,220
	Taesung Ind.	plastic products	cosmetics containers	60	2,438
	SJ Tech	plastic products	semiconductor component containers	40	1,626
2nd Approval	Hosan Ace	ordinary machinery	fan coils (air cleaner components)	26	1,000
	Shinwon Living Art	sewing/apparel other metals	apparel kitchen utensils	37.9 45	2,438 1,000
3rd Approval	Romanson TS Precision	watches and components semiconductor/ electronic component communication/	watches and jewelry semiconductor mold components	155.8 28	2,620 1,626
Not Approved	JCCOM	broadcasting equipment	optical communication components/materials	43	1,778
Yet	JY Solutec	other machinery	automobile/electronic components & molds	70	2,438

### Timetable of the Development of Gaseong Industrial Complex

	Content	Date
Measures taken between companies	o Conclusion of an agreement between Hyundai Group and Asia-Pacific Peace Committee to develop a total of 20 million pyong	Aug. 22, 2000
	o Conclusion of an agreement between Hyundai Group and Korea Land Corporation (Stage 1 development plan led by Korea Land Corporation)	Dec. 26, 2002
	o Ground-breaking ceremony of the Korea Land Corporation office	Dec. 11, 2003
	o Opening ceremony of Hyundai Group heavy machinery management office	Dec. 22, 2003
	o Conclusion of an agreement on land rents	Apr. 13, 2004
	o Ceremony for the completion of Korea Land Corporation office	Oct. 21, 2004
	o Conclusion of an agreement on electric power supply	Dec. 3, 2004
Measures taken by North Korea	o Announcement of the Act on Gaseong Industrial District	Nov. 27, 2002
	o Enactment and announcement of provisions on development and corporate setting	Jun. 29, 2003
	o Enactment and disclosure of announcement of provisions on labor and tax	Oct. 1, 2003
	o Enactment and announcement of regulation on management bodies, entrance, stay, residence and customs	Dec. 17, 2003
	o Enactment and announcement of provisions on foreign currency management and advertisement	Feb. 27, 2004
	o Enactment and announcement of regulation on real estate	Aug. 25, 2004
	o Enactment and announcement of regulation on insurance	Oct. 11, 2004

Inter-Korean Agreements	o Adoption of written agreement on customs, telecommunications and quarantine	Dec. 8, 2002
	o Written agreement on 4 major economic projects including the investment security area became effective	Aug. 20, 2003
	o Adoption of written agreement on passing through Gaeoeng Industrial Complex and Keumgang Mt.	Jan. 29, 2004
Measures taken within the complex and major achievements	o Ministry of Unification's approval of Hyundai as the designated partner for construction	Dec. 27, 2002
	o Ground-breaking ceremony for the construction of Stage 1 Gaeoeng Industrial Complex	Jun. 30, 2003
	o Ministry of Unification's approval of cooperation programmes in Stage 1 1 mil. pyeong	Apr. 23, 2004
	o Signing of contracts for moving into pilot sites (15 companies)	Jun. 14, 2004
	o Ceremony for the completion of building lot construction for pilot sites	Jun. 30, 2004
	o Set up of Gaeoeng Industrial Complex Support Team Task Force	Aug. 16, 2004
	o Approval of cooperation programmes in the Stage 1(seven) pilot sites	Sept. 8, 2004
	o Approval of cooperation programmes in the Stage 2(four) pilot sites	Sept. 17, 2004
	o Launch of the Gaeoeng Industrial Complex Support Team	Oct. 5, 2004
	o Approval of cooperation programmes in the Stage 3(two) pilot sites	Oct. 19, 2004
	o Ceremony for the launch of Gaeoeng Industrial Complex Management Committee and ground-breaking ceremony for corporate factories in the GIC	Oct. 20, 2004
	o Ceremony for the opening of Woori Bank in the Gaeoeng Industrial Complex	Dec. 7, 2004
	o Ceremony for the completion of Living Art factory	Dec. 15, 2004
	o Ceremony for the completion of SJ Tech factory	Dec. 28, 2004

Chairman HYDE. Thank you very much, Ambassador.  
Mr. Lantos?

Mr. LANTOS. Thank you very much, Mr. Chairman. I want to thank our two distinguished witnesses not only for their testimony but for their prolific writings on this subject.

I have a few very specific items. The first one relates to the semantic issue. I would like each of you gentlemen to respond to whether you feel the North Koreans are really as disturbed by statements made by either the President or Secretary Rice as they claim to be—"outposts of tyranny," "axis of evil"—or whether they are using the semantic issue merely as yet another bargaining tool in their kit.

Secondly, I would like to ask you to respond to the issue of the relevance of the Libyan example in view of the fact that after Libya turns over all of its weapons of mass destruction, Libya is left with oil; North Korea is not left with oil. And I detected a great anxiety on the part of my North Korean interlocutors in dealing with the Libyan example just on that point. They specifically suggested that the two situations are noncomparable because of the lack of oil resources in North Korea.

And, finally, I wonder if you believe that since neither China, Japan, nor South Korea really expect the North to use weapons of mass destruction against it, while we are profoundly concerned about the North Korean regime's sale of weapons of mass destruction or missiles to terrorist groups or other rogue nations, that we really do not have as much of a commonality of purpose as appears on the surface. Dr. Perry?

Mr. PERRY. Let me make a brief response to each of those points. I do not, myself, take seriously the North Koreans' protestations about the invective that we use against them. They are masters of invective themselves. I have personally been called by the North Korean Government a "war maniac," so—

Mr. LANTOS. I take it, you deny.

Mr. PERRY. I deny. [Laughter.]

So I do not think they should be in a position of complaining about anybody using phrases against them.

Second, on Libya, I think it is a highly relevant experience. It could be a rough model, but it would have to be tailored to North Korea because the situations, in many respects, are different. And I would think that the tailoring would require some sort of an economic development program which would have a dual purpose. From the North Koreans' point of view, of course, it provides economic advantage. From our point of view, is it the best opportunity for opening the North, which, in time, I think could lead to a downfall of that regime?

Is there a third point you had, Mr. Lantos?

Mr. LANTOS. My third point is that it is my impression, Dr. Perry, that neither China, Japan, nor South Korea seriously believe that weapons of mass destruction are going to be aimed at them. We are concerned, obviously, about the sales of weapons of mass destruction to terrorist groups.

Mr. PERRY. That is my impression also from talking with leadership in both South Korea and Japan and, for that matter, in China as well. They would like to see the Korean peninsula free of nu-



clear weapons, but they do not have the same deep concern for the North Korea nuclear program that we have and, in fact, are even more skeptical about how far along the program is.

I think, myself, that they underestimate the danger, and I have said that many times to my colleagues in Japan and South Korea and China. The South Koreans, in particular, seem to believe that the North Koreans would never use nuclear weapons against their brother Koreans, which, I think, is a serious underestimating of the threat to them. So I think we should do everything we can to try to convince our allies in China and Japan, in particular, that this is a serious threat to them as well as to us.

Mr. LANTOS. Ambassador Lilley?

Mr. LILLEY. I agree with Dr. Perry that their vituperation against us overwhelms one or two statements we make about them. They used millions of words against us, and, again, I have been honored with their comments about my fascist background.

Mr. LANTOS. Which you also deny? [Laughter.]

Mr. LILLEY. Yes. They are using what they perceive to be a worldwide trend against the United States, anti-Americanism, and they play on this because their objective is to make America the issue. The issue is not little, defenseless North Korea; North Korea has to get weapons because the United States threatens, and all have seen what the United States has done in Iraq and Afghanistan and Kosovo, intervention, unilateral intervention in some cases, and the North Koreans say this makes them the victim. And when the United States makes these unfriendly statements, it merely enlivens the United States' moves against them.

So it fits into North Korean propaganda, and they use these perjorative terms, demand an apology. In fact, they got an apology on *The Pueblo*, if you recall, but we retracted it. But they look to this to somehow humiliate this great power and be on the same level.

So I think it is a multiple game with us. I always remember one story, when we were dealing with them in Panmunjon, and the Chinese lead delegate let our American delegate have it, "You are germ-warfare, baby-killing monsters of fascism," and the American got up and walked out, and the Chinese turns to his friend and says, "Well, what did I say?"

So you get this use of propaganda; it is part of their game, but it is not an essential part of ours.

As far as Libya is concerned, they are scared of what happened in Libya. They are afraid of the international approval of our skillful handling of the situation, and they know it works against them, so they have got to cut it off—this is not applicable to us; we are a sovereign nation; you are violating our internal affairs, and reject it out of hand.

China and South Korea have different objectives. Although, they share some of our objectives, they have different ways of getting at it. The South says, the Sunshine Policy of Kim Dae-Junh is best. The purpose is to make North Korea shed its defensive coat. Once you get into them, as in East Germany, Eastern Europe, you can undercut them and undermine them.

We are not romantics. The South Koreans say they know what they are doing in linking up North and South transportation sys-

tems, building the Inchon Airport, a magnificent airport up there next to North Korea and trying to get the roads and infrastructure linked. This is a process of softening North Korea up, and, inevitably, this will lead to greater transparency, a more open Government, and this is the way to get results. The question we have is: How do we adopt that into our policy of getting rid of the nukes without falling into the trap of simply buying them off?

The Chinese, I think, have a different approach. They see it as more part of the great game. When Japan and the United States make a statement about our joint security perimeter encompassing Taiwan, and when the United States intercedes in Europe to get them not to lift the arms embargo on China, and when Porter Goss's statements about the Chinese military modernization build-up, followed up by Rumsfeld, the Chinese are hit hard, and they are going to strike back. And although they say there is no linkage between Taiwan and Korea, we know from the Korean War that a seventh fleet was ordered into the Taiwan Strait 2 days after the war started. They know that there is linkage, but they often deny it.

I recall one particular elliptical Chinese statement I got after the announcement of the Japanese-American joint security extension. I asked the Chinese if there was linkage to Korea. Of course, not. But we must add that this particular move has created an atmosphere in China which makes cooperation more difficult.

Mr. LANTOS. Thank you very much.

Chairman HYDE. Mr. Leach?

Mr. LEACH. Dr. Perry, I would like to return to one of your comments, and it is this question, which I think is the judgment call of the day, of whose side is time on. And you are, of course, correct that, from a weapons-building point of view, time is clearly on the North Koreans' side. On the other hand, if you look at the history of the 20th century, governments that lack legitimacy and do not give support to their people are subject to rapid internal implosion. And so, from a North Korean perspective, I am not sure time is exactly on their side, unless they make some movement.

And so the question, it strikes me, is whether time is working against both parties: The United States in a national security perspective; North Korea in an internal cohesion perspective. And so it strikes me, each side has a reason to accelerate the process of negotiation, and, in this regard, the next judgmental kind of issue today is process, and I think the process issue is, at this moment, probably best through the Six-Party Talks. Although I do not think process has theological implications, I think this is a very credible way to proceed. But then the question becomes: How do you accelerate the Six-Party Talks if both sides, on a rational basis, may have a vested interest in reaching some sort of agreement?

And then the question is the old one from the 1960s and geopolitics: Can we assume rationality in North Korea? If you cannot assume rationality, can you assume anything?

Would you care to comment?

Mr. PERRY. Yes. I take your point, and I would modify my statement to say that I think time is against North Korea in every respect except one, and that is their nuclear weapons program. All

of the other factors are operating against North Korea, I believe, in time.

With that in mind, when this crisis began in late-2002, I recommended that as we go into talks with North Korea, that we do so with a freeze on their activities at Yongbyon. Had we gotten that freeze, I would be very relaxed on the timing. I would say, take as much time as we need to take or want to take in the discussions. My only concern on the timing is that they continue to move their nuclear weapons program forward while we are talking, and since we did not get a freeze on the Yongbyon activities, I think that is a serious problem. That is the only respect in which I think time is operating against us and for them.

Chairman HYDE. Did you want to say something, Ambassador?

Mr. LILLEY. The mystery of North Korea's accumulation of nuclear weapons is still prevalent. The Chinese have just come out and said, I think, in a tactical way, that they do not have any convincing evidence that North Koreans have a nuclear weapons program. This happened to me in Beijing in 1991, when we briefed them for the first time on Yongbyon with overhead photography, and the leading Chinese policy man said to me later after the briefing, in a different context, that there was not evidence that North Korea had a nuclear weapons program at Yongbyon.

So there is gamesmanship in here too. We have tried hard to get intelligence on what they are actually doing in their nuclear weapons program, and in the end we do not know. We know that they have the weapons-grade plutonium, the capability to build these bombs, but do they really have the ability to fit them into a warhead and put them on a missile and detach the warhead from the missile and make it into a weapon of mass destruction? We do not know. We only saw the one advanced missile test in 1998 where the missile failed in its third stage.

So they use this very effectively as a bargaining device to get us to think that they have a lot of weapons and that they are in a very strong position. We play poker with a very cunning adversary with an inability to look into his hand.

So what I am proposing is a strategy for dealing with North Korea to get at their vulnerable points, and their Achilles' heel which is their economy, and we have got to convince China and South Korea and the Japanese to be part of this effort, and that is precisely what we are trying to do now. I understand that Secretary Rice is going over there next week, and the focus will be on getting our allies and friends to work on this problem in ways that are quite complementary and, frankly, I think, can be done if we adapt our tactics to their basic interests and not try to pressure them to go along with us.

Chairman HYDE. Mr. Ackerman?

Mr. ACKERMAN. Thank you, Mr. Chairman.

When President Bush was elected, he walked away from the Four-Party Talks. It took almost 4 years when, in June 2004, we put a proposal on the table, thinking maybe it is better that somebody talk to these guys, and that proposal was for the Six-Party Talks, which called for a 3-month preparatory period during which North Korea would declare its nuclear facilities and materials, and they would suspend their operations and negotiate the terms of dis-

mantlement. In the meantime, the North Koreans would receive free oil, and negotiations would begin on lifting our sanctions against them, security guarantees, as well as economic aid.

I would like each of you to briefly assess the proposal as to its strengths and weaknesses, and will the North Koreans ever agree to disclose their nuclear program without a firm guarantee that benefits will flow to them? And if we have time, possibly you could offer some advice to some of our colleagues on the Committee and in the House as to whether or not when we negotiate, if we do, a deal with the North Koreans, we should be raising the rhetoric and saying we should not be giving oil to a bunch of Communists.

Mr. PERRY. I think the proposal as put forward by the United States at the last talk was a credible proposal and could be the basis for a serious discussion with the North Koreans. I further believe that it is reasonable for the United States to make some sort of a security statement, a guarantee, to the North Koreans. It has to be done in such a way that it does not detract from our security treaty with South Korea, but I believe we are clever enough to craft a statement which could have that effect.

But I do agree with what I took to be the thrust of Mr. Lilley's comment, that the key in dealing with North Korea in the future is an economic development program. That, I do not believe, would come from the United States. It would come from South Korea and Japan and perhaps China. And, therefore, one of the advantages of the six-power venue for the talks is that we could do the thing that we are willing to do, which is provide a security guarantee, and let the other partners in those talks provide the economic development program.

Mr. ACKERMAN. And just on the last part, in any deal that I have ever seen, from the original framework until the most recent, indeed, the economic development part, which included the light-water reactor, was to be paid for by an international consortium which basically was the Japanese and South Koreans. Our component to that was always the oil and just about exclusively the oil.

Mr. PERRY. Yes.

Mr. ACKERMAN. Could you just reference that?

Mr. PERRY. When I speak of economic development in the future, I am really thinking of something much broader than making reactors, and I think that the thrust of Mr. Lilley's comment is a program to help North Korea develop its economy, which fundamentally requires them opening up markets and having businessmen from South Korea and Japan enter the country. I am in favor of that because I think it would open up the country in a way which would eventually lead to a positive change in the regime.

Mr. ACKERMAN. Ambassador?

Mr. LILLEY. When you are looking at this, we need to put ourselves in the North Korean position, and try to see what they want. We are dealing with a country that has a peculiar "juche" philosophy, which is self-reliance, and then they go around with a begging bowl. There are contradictions, obviously, in what they do.

But what they want to do is to keep their weapons of mass destruction in some form and their conventional military force because that is key to their survival. They want to get our aid so they can survive, and they want to get aid without giving up their pro-

gram but doing just enough to their program to keep us happy but they keep their program concealed as part of their retaliation capability. They also want to use the concerns of China, its concern about the United States hegemonism. The Chinese are becoming more outspoken about this these days, and then the ROK concerns about the United States being the big brother and a constant lecturer. The North seeks to use these cracks in the system to disorient us and to maintain a position of uncertainty about their capability and, at the same time, tantalize us with certain moves that they can make to placate us and get us, shall we say, off their backs.

So they are not looking at it quite the same way we are. They are not getting rid of their nuclear weapons program for economic aid. They are trying to avoid the choice that we are facing them with—either you come along with us, or you face a diminution of aid and possible military action. The North recognizes that South Korea and China are dead set against any kind of United States military action and have been very outspoken on it.

So two of the most powerful countries on the periphery have taken a position against the use of any form of military coercion, and the South Koreans, I think, are looking for the best of both possible worlds. They are looking for American continued military support for them in Korea, and the South Korean President has said this, “The United States is essential for South Korean economic stability; therefore, we want your forces to stay.” They do feel, however, that they understand the problem better than we do, and our particular interventions on military action makes them less willing to cooperate on this. They hold out their own proposal.

Now, our problem is to somehow work their carrot into our stick and reach a common objective in dealing with North Korea, to somehow counter the North Korean initiatives on the situation by getting us to react to their latest tantrum or action. Whether it is on February 10th or whenever it is, we usually react. What I am trying to do is to say, we need to get ahead of them for a change. We need to begin to establish a system whereby the North can participate if they meet certain standards, but we have to get all of the other countries on board first and link what they do economically to a genuine program of rolling back the North Korea nuclear program.

Chairman HYDE. Mr. Tancredo?

Mr. TANCREDO. Thank you, Mr. Chairman. I would like to have the Ambassador expand just a little bit on his reference to the linkage between what is happening with China and Taiwan and, of course, the talks with North Korea.

As you know, there has been a bill introduced into the Chinese Parliament that I will refer to as an antiseccession law, which, if passed, sets up a situation where force can be used should Taiwan take any steps toward independence, the fact that they are pursuing, and the European Union appears to be ready to allow them to acquire, the Chinese, that is, allow them to acquire weapons and expand their military options. I am certainly disconcerted by the fact that there is that linkage because what is it we can do? What are our options with regard to China and Taiwan, specifically? And also, what do these actions on the part of China mean for stability

in the region as a whole, and how we can work to try and disconnect, I suppose, the tie between what is going on with the Chinese in Taiwan and Korea?

Mr. LILLEY. I think that we have tried very hard to do that. I am not that concerned about the anti-secession law because China is not a rule of law nation, and we have our own Taiwan Relations Act which commits us to defend Taiwan against a military invasion.

There are more important issues than Chinese military action right now. The enlarging of our Japanese-American arrangement to cover Taiwan helps deterrence.

Mr. TANCREDO. Could you move just a little closer to the mike?

Mr. LILLEY. Yes. Which puts China in the position of dealing with two of the most powerful navies in the world, when considering using military force—they have deployed missiles opposite Taiwan, which is disconcerting, but they say this is a deterrence against independence. It is not for any possible use. This is what they say privately anyway.

I do not think we can delink the two. It is part of their grand strategy in Asia, and they are driving, as you know, into Southeast Asia very actively, replacing the Japanese down there economically. They are closer to the ASEAN nations and making considerable progress in advancing their own national goals down there.

They have for instance temporarily dropped the business of trying to attack the Spratly Islands, but they had claimed the whole South China Sea in their law of February 1992.

Mr. TANCREDO. Right.

Mr. LILLEY. When you ask the Chinese about that law they say that it is law, not policy. The policy can shift from belligerence, as they had in the Paracels in 1974 and the Spratlys in the 1980s, to this peaceful rising they call it, which means reaching out peacefully to the Southeast Asian nations, which they are doing quite successfully.

We see them in their search for oil challenging us, but so far I think we are holding our own. Their oil imports have to come as of now over the sea lanes, which we of course dominate. This puts them in a disadvantageous position.

In Korea, delinking Taiwan from Korea is difficult because they are going to use this implicit link as part of their grand strategic plan to work with us on Korea to the extent they are seen to be cooperating, and then pull back as they just did recently when they said there is no evidence of nuclear weapons in North Korea and the United States should handle this all by bilateral talks. That I think was a response to our joint statement on Taiwan with Japan.

My sense is that the Chinese need to be aware of the real cost of not becoming more active on the North Korean nuclear weapons program by using their considerable leverage. If China does not do this on North Korea, then the Americans—who stopped the nuclear weapons program in Taiwan twice and in South Korea once and also keep the Japanese nuclear power program under very tight control—acted unilaterally to curb proliferation. It is China's turn.

I am not saying we are going to get into the business of arming these places with nuclear weapons. We are not, but it is still one

of those methods you use in dealing with our colleagues, which I have found in my own negotiations reasonably effective.

China sees North Korea as a very difficult neighbor. If you really want to get chapter and verse on the North Koreans, get the Chinese in private conversation sometime, but their national objectives require them to take a more devious approach, and I think that is what we are facing now.

I wish our negotiators well in trying to get them to come closer to us to deal with this problem, but it is China's problem too.

Mr. TANCREDO. Thank you. Thank you, Mr. Chairman.

Chairman HYDE. Mr. Faleomavaega?

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman, and I thank our distinguished witnesses for their testimony this morning.

There seems to be a consensus by some way of admission or submission to the fact that the North Koreans are masters of negotiation, whether it be for evil or for good, however we may want to determine it, but they are masters of negotiations.

If my readings are correct in the media reports and what announcements have been made, apparently on February 10th, North Korea said that it would increase its nuclear weapons arsenal and suspend its participation in the Six-Party Talks.

Then later on the North Koreans claimed its stance in response to suspension of the talks the comments made by Secretary Rice in her confirmation hearing. She referenced North Korea as an outpost of tyranny. Some believe that North Korea determined these remarks to mean the United States "cannot find one single word on coexistence with us." That was their response.

I wanted to ask if at the time even South Korea and China strongly urged our country or our Government to refrain from such remarks. I guess this time it is a reverse role.

We have taken the initiative in calling North Korea as an outpost of tyranny, and I was wondering, gentlemen, if you think there may be some cultural barrier here in communications and understanding how the mentality in Asia takes its part in some of the Eurocentric thinking that we have on our side that seems to cause more misunderstandings in an effort to try to resolve the situation?

I raise that as one question, but I also have another question. I noted in your comment, Dr. Perry, somewhat very sobering in my humble opinion, and you made the statement that while we are talking North Korea is building.

I wonder if at some point in time where the Six-Party Talks end up fading totally without any solution to the problem and looking at North Korea in a very similar situation as Iraq where we have a leader who has absolute rule over North Korea. He is now building. We do not know for sure if they in fact have nuclear weapons in their possession.

It is my understanding the United States intelligence community believes that North Korea has enough plutonium for about six to eight nuclear weapons and a reactor which could produce enough plutonium for 37 to 50 nuclear bombs that they could produce per year.

Do you think at some point in time, and I hate hypotheticals, but at some point in time that our country may have to make a deci-

sion and take similar action like we did against Iraq? It is the same situation except this guy now for sure is coming closer and closer in pressing that nuclear button.

Will we then be justified in practicing unilateralism to believe the preemption that even if we believe there is danger, not having the true facts that North Korea in fact does have nuclear weapons, do you think that at some point in time we may have to make that decision later on if there is a total failure of the Six-Party Talks? Nobody can get at North Korea. What will we then do except for the fact that they will continue to build nuclear weapons capability?

Of course, they now have the missile capability of firing anywhere on the west coast, New Zealand, Australia, Hawaii, Japan. I just wanted to ask that hypothetical question to you gentlemen.

Mr. PERRY. If we had to take that action, military action, I would consider that a great failure of our policy of diplomacy because it would be a catastrophic result.

The only circumstance I think could lead us in that direction would be the hard, substantial evidence of the building of a nuclear arsenal and the possible threat against the United States from that arsenal.

If we were to be in that position we should understand that even executing that strategy, if that is what we had, does require the full participation of our allies, in particular South Korea, which we do not have today as already testified by Ambassador Lilley. So even if we imagine we are going to get in that position some day we have to go through this very detailed, careful diplomatic step in conjunction with our allies before we would be in a position to do that.

Mr. FALEOMAVAEGA. Ambassador Lilley?

Mr. LILLEY. I will deal with the first part of your question about the master negotiators in North Korea.

They are very cunning. Besides the heavy oil from us they probably got between \$600 and \$700 million of free grain, and it was not monitored very carefully. They got the light water reactors program started. They got tremendous inputs from South Korea and China in addition to ours.

The bargaining with China is very, very tough. You either feed us in North Korea or you could feed us in Manchuria. Yes, they are formidable in this. Just look at the track record.

On the other hand, as you pointed out, the North Koreans have done rather clumsy and stupid things. This business of coming out that they have already weapons of mass destruction, cuts the ground out from under the Chinese. It probably has done more to cause a cohesion among the other five powers, although there are always divisions in this thing. It is always going to go up and down.

When you look at their so-called industrial zones, they have been a fiasco. The one up in Najin-Sunbong is a gambling den. In the one at Sinuiju down on the Chinese border, the North Koreans got a crook from China to run it. He has been put in jail in China for 16 years on tax evasion and corruption. This is the man the North Koreans hired to run it. Gaeseoung is, however, working, as I point out in my attachment.



The North makes a lot of mistakes. Right now is a good time to get more cohesion in our joint approach, but again the China factor is going to be tough because they are going to make demands on us based on other interests that they have.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. I think my time is up.

Chairman HYDE. Mr. Sherman?

Mr. SHERMAN. Thank you, Mr. Chairman.

We have lost 1,500 lives and had 10,000 and more maimed and wounded to deal with a WMD threat which is tiny compared to what we face in North Korea.

Now, before the election there was at least a little logic to the Administration's policy. It was the logic of politics. Minimize the threats of Iran and North Korea so as to convince the American people that the ending of Saddam's program of weapons of mass destruction was the most critical element in making us safe from those terrible weapons, particularly nuclear weapons.

Now that logic is gone, and we have no logic at all in the Administration except to try to say that we have a policy by having meetings like this to discuss whether we are going to have discussions at a two-sided table or a six-sided table.

The North Koreans have proven the capacity to lie at a table of any shape, and if all that is going to happen at that table is a demand without consequences, a demand without consequences is just begging, and a demand without an offer is just name calling.

We all want a six-sided table. Maybe we will get it. We have no idea what we are going to say when we get there except to pound the table. This is one of the two great failures of the Bush Administration. It was not a great success of the Clinton Administration, but, after all, 9/11 came up, and the amount of attention that we should be paying toward eliminating nuclear weapons in terrible hands has obviously increased.

Mr. Lantos is entirely right when he says that the key is North Korea's dependence on China, but we have been unwilling to hint that our trade relationship with China would even be affected if China continues its own policy, a policy that meets China's needs, a policy of subsidizing North Korea and hoping that the cancer does not get worse.

So even if our diplomats are successful in getting all five of North Korea's neighbors, including ourselves, to say stop developing nuclear weapons, we are all united, we are not willing to offer anything, and we are not willing to force the Chinese to threaten to take anything away that North Korea is used to getting.

I would like either of you to answer whether there is any reason at all to accept that China is going to change its policy as long as they are assured that they can do business as usual with us and continue to subsidize North Korea, a Government they do not like, but they find it best to subsidize than any of the other alternatives.

Mr. LILLEY. North Korea pays a price. We have cut off all heavy oil, and we have cut off almost all food.

Mr. SHERMAN. You are saying North Korea pays a price. I am saying—

Mr. LILLEY. They are paying a price because they are being hurt in their economy by moves we are making.

Mr. SHERMAN. North Korea is paying a price?

Mr. LILLEY. Yes.

Mr. SHERMAN. But it is a price they are willing to pay as long as they are subsidized by China, and the question was: Is there any reason to think China is going to stop those subsidies when they meet Chinese policy interests and when we have made it very clear that American corporate interests trump our national security and accordingly we will not even hint that our trade relationship with China hangs in the balance as long as China continues to subsidize North Korea?

Mr. LILLEY. If one reviews quickly the history of the Chinese use of economic leverage on North Korea, one goes back to 1994 and in tracking trading statistics at the time of the Agreed Framework when we were running into a lot of trouble, at that time Chinese exports dropped radically and North Korea then signs on.

In 2003, oil was turned off, I am sure, with the accompanying statement that you are our Socialist brothers. We love you deeply. We stand with you always, but I am afraid we cannot give you oil in this quantity.

The Chinese also had placed a lot of the trading relationship on a cash basis some time ago. The South Koreans are now looking at the possible use of 500,000 tons of fertilizer as an inducement for North Korea to cooperate more.

What I am trying to say is that people have used economic leverage in the past. This has to be done skillfully and more frequently and more effectively in the future.

As for using the Chinese trade relationship with us to pressure China, as Mr. Lantos knows well, this was done linking most favored nation to human rights in 1993. It did not work. It did not work because that would have been a 10 megaton bomb of economic destruction.

Mr. SHERMAN. Ambassador, asking China to do something that would undermine its own regime is obviously a very different circumstance than asking them to take actions with regard to their foreign policy.

Mr. LILLEY. This is what we were trying to do in 1993, and it did not work. I think you have to learn from your experiences.

It seems to me that you have a relationship with China right now where they are buying probably \$60 to \$80 billion of Treasury certificates from us to alleviate our trade and budget deficits. They are very dependent on us for a huge trade deficit we have to increase their foreign exchange reserves. Simply put, the United States' relationship with China on trading matters in that sense is interdependent.

The real problem we have with China, I think, is an intellectual property rights violation, which in my time was only about \$2 to \$3 billion. It has now probably gone up by a factor of 10.

Mr. SHERMAN. Sir, I think my time has expired, but explaining to those who lost sons in Iraq dealing with a tiny weapons of mass destruction issue and telling them that when it comes to the big problem well, our trade relationship is more important, you do the equation and you come up with the equation that the lives of our

soldiers are almost nothing, and our corporate and trade relationships are everything, and that is very hard to explain to parents. I yield back.

Mr. LILLEY. Would you explain to the South Koreans that they could lose 5,000,000 people if North Korea was confronted militarily?

Mr. SHERMAN. I am not talking about a military confrontation, sir.

Chairman HYDE. Mr. McCaul?

Mr. MCCAUL. Thank you, Mr. Chairman.

There is evidence obviously to suggest that China on the China issue exported nuclear technology to Pakistan. We recently heard from Pakistan's former Prime Minister Bhutto that she brought back blueprints from North Korea for her country's missile program in 1993 and then at a later date nuclear technology was exchanged with North Korea for missiles.

We know Dr. Khan proliferated nuclear technology to countries like Libya and Iran and North Korea. It seems to me China has the responsibility for creating this problem, this dark cloud.

The Chinese Ambassador recently came to my office, and I sat down with him. Among other issues, we talked about North Korea. He expressed his sincere commitment to being a strong ally with the United States in resolving this issue, this crisis that we have with North Korea.

My first question is how credible do you find that promise that the Ambassador gave to me? Secondly, what is the intention?

I know it is hard to get into the North Korean mindset, but what do you view as their intentions for building this program? Do you think they intend to use nuclear weapons, or is this more to be on the world stage as a world power and possibly obtain economic conditions that are favorable to North Korea possibly also with respect to proliferation? If you would care to comment on that.

Mr. PERRY. Let me offer a comment on two different aspects of what you said, Mr. McCaul.

I think the other nation responsible for the North Korean nuclear program is primarily Russia rather than China, the former, of course, Soviet Union. The Soviet Union was the one who supplied them with that reactor at Yongbyon and some of the know-how that went with it. They have not for many, many years provided any such technology, and I think the Chinese have not either.

More recently, I think you are quite correct in saying that the Chinese assisted Pakistan in getting the nuclear program going, and we now believe that Pakistan and North Korea are working together and have worked together in the past.

I do not know how to answer the question of what their primary motivation for the nuclear weapon program is. In my discussions with the North Korean military, they make a very strong and unequivocal statement that they want nuclear weapons to deter an attack from the United States.

I have no reason to doubt that statement, that they actually believe that that is a potential problem and that is why they want it. But you can certainly find many other benefits to North Korea for the nuclear weapons program, such as a place on the world stage and economic incentives.

If I had to come to a decision on that, I would say that the principal motivation was for deterrence, to deter. And primarily to deter any action taken by the United States against them.

Mr. LILLEY. As far as the Chinese Ambassador Yang Jiechi is concerned, he has been a friend of mine for 30 years, and I think he is a good representative of the Chinese Foreign Ministry. He is a friend of ours, but he represents their interests.

He said that the Chinese have tried to convince the North Koreans that nuclear weapons do not help. They used the Russian example. Did 10,000 nuclear weapons preserve the Soviet Union when their economy was collapsing and their system went under? It did not help a bit, and neither will 10 or 20 weapons help you.

I think the Chinese have done that, and I think the Chinese have also given a certain warning to North Korea on nuclear testing and multi-stage rocket shots. I cannot give you an unequivocal answer on that, but you notice the North Koreans have not tested a nuclear weapon, and they have not made another multi-stage rocket shot since 1998.

It seems to me that something is at work there, some restraining force. My calculated guess is China played a role in this. In fact, I am quite sure they did. I think they can play a role, but their foreign policy is complicated by other interests, and I think the Ambassador probably wisely stayed away from these.

Mr. MCCAUL. Thank you. Thank you, Mr. Chairman.

Mr. ROYCE [presiding]. Thank you.

Mr. Schiff?

Mr. SCHIFF. Mr. Chairman, thank you.

Mr. Secretary and Ambassador, we appreciate your testimony here today. I want to follow up on a couple issues. I want to follow up on your discussion of China.

Is it really possible for either the United States or our allies to put enough pressure on North Korea to get them to give up the nuclear program without China's aggressive participation?

Given the economic leverage that China has that the rest of the world does not share in any way near the same degree, can it be done without China? And what is necessary to get China to do the really heavy lifting necessary to change North Korea's behavior?

I operate on the assumption that if China wanted it to happen, China could make it happen. China has made the decision for reasons you outlined earlier that this is part of a geopolitical larger game where there are higher priorities for China than keeping the peninsula nuclear free.

Therefore, they have engaged in a constructive way from time to time and varying degrees of pressure. They have not brought their full weight to bear because either they have decided it is not in their interest or they do not want to give that away without getting something really valuable for it. For whatever reason, they have not made it happen.

I guess my question is: Can this be done without China? If it cannot, what more can we do to incentivize China to throw its weight behind this effort?

The second question I have is, this seems to me a perfect test case, or maybe a terrible test case, for the whole NPT and non-proliferation regime as it exists today. If we cannot succeed in de-

terrering North Korea from developing the bomb or continuing to develop more bombs, then what does that say about the adequacy of the current international nonproliferation structure?

We have the NPT review coming up in May. I have not really heard yet what the Administration's strategy will be at that. I know there will be others that will use that opportunity to attack Israel over its nuclear program, and if we are not careful we will simply be on the defensive rather than working to strengthen the NPT at the review.

You have to wonder the impact that North Korea's kind of open flouting of the nonproliferation regime is having on Iran. If North Korea goes and develops and continues to develop its nuclear capacity and there is really no consequence, then Iran has to ask, why should they end their nuclear program?

My two questions really are: Can we do without China? How do we get China more engaged, and how should we look at changing the nonproliferation regime to put something tougher and stronger in place to deal with future challenges?

Mr. PERRY. I will try to make very brief answers to those, my own views on those, and then turn it over to Ambassador Lilley.

I do think China is a necessary part of the negotiating strategy. I also believe that China does not want a nuclear North Korea. I do not think they see that as in their interests to have a nuclear North Korea. But it is my impression that to this date, at least, they have not been willing to take the necessary action to really make the difference there. Maybe that will change in the future.

On the NPT, I think it is very important—

Mr. SCHIFF. Mr. Secretary, before you leave that point, why has China not gone the extra mile? What is the higher priority for China, and what leverage do we have to discipline China that it should be higher priority than it is?

Mr. PERRY. I have discussed that question many times with Chinese leaders, and I am sure Ambassador Lilley has as well also.

The answer they give me is twofold. First of all, they say we, the Chinese, have less influence on North Korea than you think, which I discount. Secondly, they say that our experience with North Korea putting pressure on them tends to be counterproductive. We would rather lead them along than try to flapjack them into doing.

This is what they say, and I have no reason to—I do not have much to add to that statement. That is what they say when you ask them that question.

Mr. SCHIFF. On that last point though, if China felt they might be the number one target of a nuclear device developed in North Korea, I cannot imagine they would be a lot more aggressive and active and not take that position.

Mr. PERRY. I would certainly think so. I do not believe they think they are the number one target.

Mr. SCHIFF. If you discount those explanations as I do also, what do you think is the real motivation for why China has not brought its full weight to bear?

Mr. PERRY. So far I would say nothing more than to this point, at least, they have not been willing to do the heavy lifting necessary, and I think our strategy should be to try to put them in the position where they are willing to do the heavy lifting.

On the NPT point, both the examples of North Korea and Iran suggest that we need a stronger interpretation of the Nuclear Non-proliferation Treaty and that this conference which is coming up in May of this year would be an excellent time to try to get that.

Brent Scowcroft and I wrote an OpEd piece on this subject a few months ago, the main point of which was it ought to be interpreted so that the nations that are permitted to have commercial nuclear programs are not permitted to have a full fuel cycle as both Iran and North Korea have. That is what makes it dangerous. We would provide the fuel for them instead, “we” being the nuclear nations.

Secondly, that there should be no dropping out of the NPT. There would be substantial penalty for dropping out of the NPT because we saw North Korea joining the NPT, developing the capability and then as they were ready to build the nuclear weapons they simply withdrew from the NPT. That should not be permitted without very heavy sanctions.

Ambassador?

Mr. LILLEY. I will deal with the China situation. I agree with Secretary Perry that you cannot do it without China. It would not work.

I try to explain this in my testimony that the Chinese are going to go at their own pace. It may be infuriating to us, but they are going to go at their own pace, and they are going to act in their own interests. Not in our interest.

I cite to you what may seem like a far out example: The Chinese role in the Koguryo Dynasty almost 1,500 years ago. This became an argument between South Korea and China. The essence of this argument is that North Korea belonged to China, whereas the South Koreans say it belongs to us. Koguryo was eventually overthrown by the Shilla Dynasty in South Korea, which was supported by China.

Put this in a current day context and what do you come up with? The Chinese use these kind of allegories when they are contemplating something important. The cultural revolution in 1965 started when China dragged some person out of the past and made him a contemporary issue. Then they push ahead.

The second is that one of the leading Chinese that I knew and was most familiar with North Korea—he was interpreter for Kim Il Sung and Mao—said look, we fought you in 1950 in Korea. I said I know. I was there. He said today we are working with you on North Korea. Do you not see an enormous trend happening? We supported North Korea fully for the first 35 or 40 years. We have changed. We now recognize South Korea. China got both of the Koreas into the U.N. by using very subtle influence on North Korea.

There are two other factors that influenced them. First, one of China’s real nightmares is a unified Korea under Seoul allied to the United States with American troops on the Yalu River. In 1950 they intervened to prevent that from happening. It is still part of their mentality, very much so.

So we have to reach some sort of a basic strategic agreement with China. Their focus now is on South Korea. South Korea has more students studying in China than any other country in the world. There is sort of a China fever in South Korea now. Their

mutual trade has boomed. It is really quite something. China's influence has gained.

China is familiar with picking losers in the past—Milosevic, Pol Pot, Hoxha in Albania. Kim Jong-il begins to look a little bit like a loser. South Korea is now winning. One does not go along with a loser when the outcome becomes clear.

They are going to make a gradual shift, but they are going to do it in their own way because they are going to have to prevent certain things from happening. They are going to have to increase their influence over time, and they are not going to play by our time schedule.

Yes, we can influence them. Yes, they will help us. Yes, they will frustrate us. Will China be a real cooperative actor? The answer is yes and no, but if it is in their long-term interest to carry out a program more aggressively on North Korea they will do it.

Mr. ROYCE. Ambassador Lilley, if I could ask you—Mr. Schiff and myself had the opportunity on one of our interparliamentary exchanges when we were in South Korea to meet with Hwang Jang Yop, who was the former chief propaganda minister for several generations in North Korea and finally defected.

We also subsequently, here in the United States, have had an opportunity to talk to Yun Sung Ju, who worked in the military industrial complex there and in particular in missile technology.

One of the initiatives that I think is interesting when you talk with these defectors is this illicit activities initiative aimed at curbing North Korean exports of drugs and the counterfeit currency that we saw going on in Macao and other contraband.

The reason it seems significant is because in these interviews, Yun Sung Ju told us that in his particular factory they were not able to purchase the gyroscopes from Japan that they needed for the missiles. They were short of hard currency, and they would go 8 months, over a year on end at times unable to expand their production or even work on projects until they got money in. There was a dire shortage of funding for many of the projects, but then things would open up. They would get the currency.

It would seem to me that this particular approach would have enormous potential if, as the Administration is supposedly exploring, according to the *New York Times*, an expansion of this initiative to in every way crimp North Korea's access to hard currency.

I guess my question is this: Does that hard currency, since it is dedicated to fueling its military and nuclear superiority, does choking those funds off have a material effect?

We heard from Hwang Jang Yop about the priority that they place in terms of this is where the funding goes first and only second does it go to the party and only third, of course, does it go for food. As he explained, that is why 2,000,000 perished in North Korea. He said, you know, our priority is always to put the funding into expanding the military industrial complex.

To the extent that you choke off those funds, it can have a demonstrable effect on retarding the ability of the State to expand its WMD program. I wanted to ask you about that.

Mr. LILLEY. I think you have hit on something important, and I try to deal with it in my testimony.

Hwang Jang Yop, in one of the more interesting comments he made is that Kim Jong-il, a control freak, is effective at it. The immediate elimination of any kind of challenge, they are simply gone. The huge bribery of the leading class. The million cadres on top, with access to palaces with their chandeliers and their booze and their ladies. It is all there. These men, if they were not in his coterie, would be shining shoes in South Korea.

He has a hold on power. He knows how to do it. He is not respected the way his father was, but he also is a very cruel and effective "manager" of North Korea.

Getting at North Korea's counterfeiting, their drug smuggling is one of the forces that brings the five nations together because North Korea is shipping the stuff into China, counterfeit money, drugs into Japan, into Australia, to Europe, all over the place.

We have the Proliferation Security Initiative which has not done a great deal, but it is aimed at stopping them proliferating on the high seas. The Japanese got a number of ships that they have stopped trying to ship narcotics into Japan.

One of the things the Japanese have done is rather interesting in terms of turning the screws on North Korea. Not sanctions, but this business of insuring North Korean ships going into Japan, about 1,000 a year. Only one of them is insured. If this is cut off or reduced, they will have a hard hit. It is within the Japanese legal system to do this. They demand it of other foreign ships.

A combination of this kind of closing of the ring could be one of the more effective ways of getting at them, along with holding back on supply of grain and oil by the South Koreans and Chinese, and of fertilizer. We need common means which appeal to the interest of our friends, the Chinese, South Koreans, Japanese, all involved, including Russia.

My sense is this is where we want to put a great deal of emphasis. Also we have to reach some kind of an understanding on their ability to inspect Korean movements, such as transportation routes through China and Russia into Europe because this is where the stuff could be shipped if they get blocked on the sea.

I think we would have to work this out with our friends and allies, but it is the kind of thing that has a universal ring of attractiveness.

Mr. ROYCE. The second or last question I had was we watched during the process between Reagan and Gorbachev where as a result of Helsinki, human rights became part of the dialogue.

I am wondering in terms of the Six-Party Talks including a discussion of human rights. Again, the situation is so dire when you speak to the refugees and the victims of Kim Jong-il's reign. I have talked with family members who have had other members of their family killed as a result of trying to escape, and I have seen the stunted growth of some of these parents who try to bring their children out because they are starving to death. It is just horrific that if caught, they end up in these gulags or in these work camps for the rest of their lives.

Trying to raise this dialogue of human rights as part of the Six-Party Talks—that worked in Helsinki in terms of changing behavior. Reagan was able to get Gorbachev to go along with that conceptually, and I wonder if there would be benefit to making human



rights a larger part of the dialogue either within the Six-Party Talks or outside of that in order to try, through moral suasion, to get some change in behavior that is causing so much suffering in North Korea?

Mr. PERRY. My own judgment would be that we should put dealing with the nuclear weapon as the first priority. If we can deal with that adequately through the Six-Party Talks, then it seems to me that is an appropriate venue for dealing with other issues of importance to us, including the human rights issue.

One of the advantages of the Six-Party Talks is it provides a vehicle for dealing with more than just the nuclear weapon program, but in my judgment, I would put nuclear weapons as the first priority.

Mr. ROYCE. Thank you. Dr. Perry?

Mr. PERRY. Mr. Chairman, I do have a small point of order. I, unfortunately, have a flight back to California, and I am going to have to leave in about 5 minutes.

Mr. ROYCE. Could I allow the Congressman from California to go to his question?

Mr. PERRY. Of course. And I apologize.

Mr. ROYCE. And then we will take your leave. And thank you very much, Dr. Perry, for being with us today.

Mr. BERMAN. A few questions and I will say them real fast.

One, for the Chinese: One does not delink Taiwan and North Korea. Is there anything to taking the—accepting that premise, and then doing something vis-a-vis Taiwan? That would be wrong, of course, but doing something with Taiwan in terms of formal independence, declarations, things like that, that would so affect the Chinese mindset that they might loosen up North Korea, if this is all so linked?

Secondly, I guess this is to the Ambassador, really. I am struck by this dichotomy. You had some Korean term; self-reliance versus passing the begging bowl. I could not understand on the issue of the military option.

You talk about the Korean portrait of America as unilateralists going into Iraq and Afghanistan, this is what they do. This is what they are going to do to us—versus knowing that the Chinese and South Koreans are against, so much against, the military option that it is not really on the table, even if we say it is on the table. I do not quite understand your making both points.

Where are the North Koreans on this issue? How do you hold both thoughts simultaneously?

Third, your testimony made a reference to—the exact quote was—it was about paid handsomely for coming to the table, which I thought was a—I will put it this way. My superficial knowledge of what happened in the 1990s—and Dr. Perry would know best—is if you want to say they were paid handsomely, it was not for coming to the table, it was for freezing their plutonium program. So I did not understand why you put it that way unless there is facts I do not know about.

And the final question to Dr. Perry: Is there still, given what has happened since the Agreed Framework fell apart, is there still that kind of single strike that can destroy—put aside the enriched uranium program for a second—that can destroy their bomb-making

capabilities? Or is this now—with the rods gone, is this so dispersed that even that is not an option, apart from what consequences it might cause?

Thank you.

Mr. PERRY. Mr. Berman, let me answer the last question first since it is the easiest one to deal with.

In 1994, a single strike would not only have destroyed facilities, they would have destroyed all the plutonium that was there as well.

Mr. BERMAN. Right.

Mr. PERRY. Today, it is reasonable to presume that the plutonium has been moved out of Yongbyon. Therefore, you could not deal with the plutonium. You could not deal with these five or six bombs by striking Yongbyon.

What a strike would do, of course, is cripple their ability to make more plutonium on into the future.

I think there is some implicit link between Taiwan and Korea, but I do not see any way of the United States constructively linking those two issues in its dealings with China.

Mr. Ambassador.

Mr. LILLEY. Yes, I agree with Secretary Perry that it is not in our interest to connect these two. I do not think you can use Taiwan independence to get China to do something. You just throw a match into the gasoline.

We have done some things to give China a message. They have reacted rather strongly to the recent statement by the Japanese defense minister and our own defense secretary on stretching our joint parameter to cover Taiwan, plus the intervention on potential European arms sales to China, the Porter Goss testimony, pointing to the rapid modernization of the Chinese military.

We have done this to give them a message that—there is no military option on Taiwan. And I think that is a strong message, and they have reacted to it, I believe, by stiffening up on Korea.

As far as getting the North Koreans to come to the table by paying them, at Kumchang-ri, our visiting of the hole in the ground and finding nothing after they had a couple of months to clean it out. My understanding is they got about four or five hundred thousand tons of grain for that.

Mr. BERMAN. Oh, this was not the comment about the U.S.

Mr. LILLEY. Pardon?

Mr. BERMAN. This was not a comment about the U.S.

Mr. LILLEY. But the South Koreans also—the reports are very convincing that they gave them about four or five hundred million dollars to come to the summit in Pyonyong.

Mr. BERMAN. That was my point. Your statement was not about the United States paying handsomely, simply to get the Koreans to come to the table. It was about the South Koreans.

Mr. LILLEY. We did it, the South Koreans did it, and the Chinese have done it. We have all done it to get them to come to the table, to get them to acquiesce in things we wanted them to do. We pay them off.

Mr. BERMAN. I thought we paid them off to acquiesce in things we wanted them to do.

Mr. LILLEY. Yes.

Mr. BERMAN. Not to come to the table.

Mr. LILLEY. Now, what we try to do it to get them to come to the table and do certain things such as opening up a—

Mr. BERMAN. All right.

Mr. LILLEY [continuing]. Site for us to visit, and in turn, we pay them off to do this. That was my point. Did I misrepresent that?

Mr. BERMAN. Well, I am confused by your answer.

Mr. LILLEY. No, that is what I meant.

So they have developed some very bad habits in this sense. They were hit very hard in the Six-Party Talks in Peking. The issue is now whether they come to the next talks or not. The feelers have gone out asking, What are you going to give us?

Mr. BERMAN. I see.

Mr. LILLEY. And the tougher their position, the more they seek to get to buy them off.

Mr. BERMAN. What about just on the one—the last question. What are they thinking about the military option? Are they thinking it is—are they truly fearful of it, or are they dismissive of it because they know that the Chinese and South Koreans are so against it that we would not contemplate it?

Mr. LILLEY. I agree with Secretary Perry that they do believe that we could attack them, and might attack them. This is built into their ideology, into their whole perception of the United States as the enemy. It is very strong indoctrination. Every day in every school, every party meeting, there it is. The United States is your enemy. United States will attack you.

Mr. BERMAN. I know that is what they say, but is that what they believe?

Mr. LILLEY. I think they do.

Mr. BERMAN. Okay.

Mr. LILLEY. I think they do. But you could make a very good case that they have attacked us. They seized *The Pueblo* in 1968. They shot down a C-135. They sent in the assassination team against President Park Chung Hee. North Korea's answer is that is, (A) a civil war between us and South Korea; and (B) you are intervening in that civil war. They sort of dismiss it, and then, of course, they denied the Burmese assassination attempt in 1983, in which they blew up a good part of the South Korean cabinet, or the knock-down of KA858 in November 1987, which they blew up. We had hard evidence of their involvement. We have the person that did it who said they did it, and they simply deny it.

So it is not easy to deal with them as Secretary Perry knows, and in my own dealings with them, when I went to North Korea, a couple of things struck me. One is this mystique they have. We were talking with them once and they were talking about Kil Il Sung's death, and a very senior foreign ministry official said to me that animals wept when he died, and I said to the interpreter, "Did he really say that?" Yes, he did.

There is a cultural gap, but yet they are cunning, tough people that cave in the right situation. They did cave on *The Pueblo*. They did cave on the ax murders in 1976. They did cave on a number of issues.

When you persist with your position, line up your support, and lean on them, you see through the negotiating record that they

have made major compromises. So I think it is for us to fashion the kind of effective policies that get them to make these compromises.

I mean, in 1994, they compromised on freezing Yongbyon, but then they broke it by getting the highly-enriched uranium program. So you are dealing with a very formidable adversary, but again, I would end on this point: We cannot lose on this one. We cannot lose. This failed Stalinist State sitting on some nuclear weapons is not going to jerk us around for its own survival.

Mr. ROYCE. I think it is interesting that when you talk to some of the defectors who were in the government about *juche*, they do not see that as self-reliance. As I understand their definition, it is more a Machiavellian concept of getting others to bend to your will so that you get the resources or get the advantage that you are seeking in a negotiation.

So traditionally I have understood *juche* as self-reliance, but apparently they see it more as manipulation, and it is interesting in this process of negotiation with them that there is this mindset, apparently, internally.

Mr. LILLEY. In my discussions with one of their senior foreign ministry people, when they were trying to shake us down for 400,000 tons to attend a meeting in Geneva, and I said, "What are you doing this for? Do you need it?" And he looked at me and said, "Our system is perfect." So you know, you move on to the next subject.

Mr. ROYCE. Yes. Yes.

Mr. PERRY. Mr. Chairman, on the note of a perfect North Korean system, may I ask to be excused?

Mr. ROYCE. Yes, Dr. Perry. Thank you very much and we thank Ambassador Lilley and you for your testimony today and for making the trip here.

We are going to go to two last—if Ambassador Lilley, you could stay.

Mr. LILLEY. Yes, sure.

Mr. ROYCE. We have Mack of Florida, and then Mr. Delahunt from Massachusetts.

Mr. MACK. Thank you, Mr. Chairman, and Ambassador, this will be a very quick question.

The United States and our allies are waging a war of ideas about freedom, security and prosperity throughout the world. And my question is: Are we winning this war of ideas? Do the people of North Korea, is the message getting to them? Is it filtering through?

Mr. LILLEY. No. But you get some interesting surprises sometimes. One of my colleagues who went to North Korea for a week, and there was a waiter that lingered around the table, and on this person's last day there the waiter came up to her and said, "Has Madonna got AIDS? Have you got any tapes you could give me of her music?"

This guy is hearing something from outside, something is coming through, but they are very, very isolated from the world. They jam all VOA Korean broadcasts. They only allow certain press in. But the elite people have an internal document that they read that gives them a fairly objective story of what is happening in the world. But these are the elites that are paid off.

The Chinese have done the same thing in the past with their Reference News. The refugee reports we get reflect at least some shifting. Originally these reports indicated that the American sanctions on North Korea were causing the problem. More recently I understand the refugee debriefings indicate that the North Korean regime is failing under Kim Jong-Il, and that is why they are leaving.

So they do get that sense, but I think by and large we are not getting through to them, no.

Mr. MACK. Mr. Chairman, just one quick follow up.

Any recommendations? I mean, it seems to me that one of the things that needs to happen is, you know, this war of ideas, the idea that freedom and prosperity, that if we can get that to the people of North Korea, that—I believe you said earlier about China, I think it was, that they are not going to act in our interests, they are going to act in their own interest.

But hopefully, you know, eventually as the people in North Korea—if our message can get through, there may be an opportunity for their self-interest to be one of freedom.

Mr. LILLEY. That is a very tough one, and I think there is provisions in the act that Congress passed that Congressman Lantos pushed, getting radios to them because all the radios they have now are controlled, getting radios to them. That is one thought.

The most effective human rights freedom effort I have seen done on China is done by a man called John Kamm, and he does it relentlessly and quietly from his offices in San Francisco. He has got people out of China, and lists of people arrested. He has a very keen knowledge of what happens inside China, and he is more effective than 50 other people who beat up the Chinese and push them on this issue.

In North Korea, it is really hard to figure out where you start. I suppose it involves the North Korean refugees in China, and the Chinese attitude toward them. Your bill does give us greater leeway in getting them into the United States, so that the word gets back through the chain that these people are going to a better life in South Korea and the United States. They know that things are better outside, viscerally almost. That is why they climb the Embassy fences in Beijing.

But how do you get this in? It is very, very difficult. The South Koreans say let us at them, let us do this. We speak their languages. We have thousands of tourists go in every year. We have businessmen living in Gaeseoung. This is the way to go. This is the way to get in there.

And I think they have got a point except the North Koreans have kept them totally boxed in so far, but the word gets out, and many South Koreans will tell you in private that, yes, the word gets to them that the North Koreans are suffering terribly and the South Koreans are much better off.

To bring in the democracy factor at this point would probably not be falling on fertile ground. We have got to make other appeals. We have got to make appeals to their material well being, provide them access to the world, acquaint them with things that the world can do. The Chinese have resisted foreign political influence. They called it spiritual pollution, or bourgeois liberalization, and they try

to keep it out. They could not obviously, and China has been changing, not to the extent that we want it to, but it is changing.

North Koreans are probably where China was back when I first went there in 1973, the tight total control. But within 4 years China opened up, thanks in many ways to Deng Xiaoping.

We do not see that phenomenon developing in North Korea yet. Private conversations with North Korean middle-level people reveal they know the deep mistakes that have been made, and they are looking for outside solutions. They really are.

Mr. ROYCE. Mr. Delahunt.

Mr. DELAHUNT. Yes, thank you, Ambassador, for staying to the bitter end. It has been very informative and educational. I want to focus on whether there exists a common strategy between ourselves and the South Koreans, but before I do that, just some observations I have made based on your testimony and that of Secretary Perry.

It would appear that in real terms, the military option is certainly not what it was back in 1994—dispersal, the concern of the South Koreans and the Chinese vis-a-vis the utilization of a military option, their antipathy toward that.

So I wonder if it is viable even, and I wonder if the North Koreans understand that most likely it is not viable because of the realities on the ground.

Secondly, the question that was posed by Mr. Sherman relative to our leverage on China, I just want to agree with you. I think you were getting to a point where again the reality is today in this world. We have very little leverage if you step back and examine the economic realities in terms of China. Not just the trade deficit, but obviously our budgetary deficit too, and the reality that the Chinese are buying American treasury notes.

I would suggest that is giving them enormous leverage that has not really been profiled yet among the mass media here in the United States in terms of all of the political issues in our bilateral relationship. We hear conversation or questions about Taiwan. If the Chinese, in my opinion, chose to not finance our deficit or reduced their finance of our deficit, we have the makings of a perfect storm in terms of our economy. I think we have worked ourselves or bought ourselves into a very tenuous situation. I would be interested in your comment on that observation.

In the opening statement by Mr. Hyde, he talks about our colleagues, particularly China and South Korean, showering assistance on a regime. Maybe that is just rhetorical flourish if you will, but what is the magnitude of the assistance provided by South Korea and China? Could the North Koreans even survive if that did not exist?

And then, are we on the same page with the South Koreans? Maybe it was Dr. Perry that referenced the Sunshine Policy. Is there a genuine common strategy, a perspective now in terms of how to deal with this issue?

And again referring to the Chairman's opening statement, he expresses some concern that propaganda efforts are being met with increased receptivity by younger and left-leaning elements in Seoul. Who are the left-leaning elements in Seoul that have any real consequence?

What I am hearing from both of you, too, is that we all—we, the Chinese, the Japanese and South Koreans—want to reach the same goal here, and you speak of the Chinese in historical terms like 30 years to them is a New York minute. Are we suffering, I guess, from the fast food syndrome?

There is a real sense of urgency now, and I share that about this threat, but the Chinese and others are saying, “Patience. We know these people. We know how to move them.”

Which strategy is there—first of all, our primary ally in this effort presumably are the people who share the peninsula, the South Koreans, and have we achieved a common strategy? And if we have to choose between the two, do you counsel patience? And if we are not patient, what is the option?

Mr. LILLEY. A number of questions you have raised, Congressman. I think I have tracked most of them.

Common strategy with ROK, have we achieved that? The answer is no; that we have in the past had a common strategy with the military Governments of South Korea, that the North Korea is the enemy, and we should prepare to defeat it. There was Op-Plan 50-37 incorporating this. That incorporation has decreased, but we still have a great deal in common with the ROK. They want the American military’s presence there largely for economic stability and deterrence. In order to take the lead on dealing with North Korea, the South has contributed troops to Iraq.

They say give us the lead on North Korea. We know them. We can play it effectively. We will succeed.

So we have to work out a strategy using their incentive of investment and payoffs and linkages of the roads and transportation system with our deterrence and our pressure on the North Koreans to give up their nuclear program. We have not reached that yet. We have not been able to harness their aid program and limit it to the extent that they can get concessions out of the North Koreans. That has not happened yet.

How they handle this delivery of 500,000 tons of fertilizer. Will they hold back on deliveries because of North Korean’s nuclear admission and refusal to go to the Six-Party Talks? We will see.

I do not think the military option was there in 1994 and I do not think it is there today. There were people that felt we could hit Yongbyon and take it out. The devastation of South Korea would be beyond belief and the South Koreans have said to me at this time, “What are you Americans doing advocating military strikes on North Korea? We will take the retaliatory hit,” and I do not think that has changed.

The military option has been truncated and almost eliminated by South Korea and China.

As to how much aid they have gotten from China, it is enormous. As I think the Chairman said, 90 percent of their oil comes from China. I do not think it is probably quite as high as that, but I think they get probably 50-60 percent of their food, and what the Chinese and South Koreans fear is that if they cut back on this drastically, they would have an implosion and they would get millions of refugees streaming across the border causing great chaos, and some crazy North Korean warlord would grab a hold of those nukes and there would be a terrible problem.

So they say, look, you have got to do this gradually and effectively in a very calculated way, and we can get the North Koreans over time to come around.

So the magnitude, yes, it is considerable. Do we know the exact figures? We knew the figures back in 1990, 1991, 1992, 1993. We had some pretty good estimates of what the Chinese were sending in. I have not seen any recent statistics, but it was pretty close to a million tons of food a year going into North Korea.

The left-leaning elements in South Korea, they were there when I got there in 1986. My predecessor, Professor and Ambassador Richard L. Walker, wrote 10 pieces on rising anti-Americanism in the South. It was rising then. There were demonstrations on the streets against the military Government. It was largely diffused in 1987, with the coming of democracy and the 1988 Olympics. It subsided, but it was always there. It is part of their character. It is the concept of Han, and it is that the world is really leaning on us. It is pervasive. It is not just confined to North Koreans.

That it has receded back in the 1987, 1988, 1989, 1990 period, yes. That it has begun to come back, yes. The current President did run on a program incorporating some anti-Americanism. These two little Korean girls were accidentally killed, and we acquitted the two soldiers and took them out of the country. All hell broke loose. And he won the election. But when I talked to him last year, he was very clear on this point. Look, I know this anti-American stuff, and how it can be used, and it is not going to be a problem. Believe me.

Now, I am not sure that we should believe that, but he takes this position, and the young ones do not have this exposure to the Korean War. Their education system gives them a rather slanted view of what happens in the world. If you go through their books, it is not very complimentary to us, and they are educated in a way that turns them into radicals while in the school. Usually the system breaks them after they leave though, and they begin to become less radical, but it is a permanent part of the situation.

But the Koreans are very good people, and they are very solid and basically are conservative. Their own national interest is going to keep them working with us, but they are always going to be tough partners to deal with. The young people today are for instance saying the real problem in South Korea is the Americans, not the North Koreans. The Americans are the ones that are forcing the North Korean hand, this kind of talk. It is quite prevalent.

But there is also a counter-movement taking place in South Korea that is arguing against this; is arguing for a revision of the textbooks; that is trying to get organizations, largely legal and religious, which will expose the South Korean population to the gulags in North Korea, the North Korean starving refugees in China, North Korean refugees speaking out about poor conditions there. This is a trend now and it is getting stronger.

So it is never easy. A tour as Ambassador in South Korea for 3 years is probably 6 years in any other country, and it is very interesting, fascinating, and now great to be there.

But I still feel, in talking to the South Koreans, that we can work their incentive program with our disincentive program in North Korea, and over time we can organize and orchestrate an approach



by the other five nations, hopefully including China and Japan, certainly. I think we can win this one. I do not see how we can possibly lose it. I will end on that note.

Mr. ROYCE. Ambassador Lilley, thank you very much for your testimony here today. We are deeply appreciative.

Mr. LILLEY. Thank you. Thank you for inviting me.

Mr. ROYCE. Thank you. We stand adjourned.

[Whereupon, at 1:04 p.m., the Committee was adjourned.]



## A P P E N D I X

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Mr. Chairman, thank you for convening this important and timely hearing to highlight the ever-growing danger of North Korean Leader Kim Jong Il's nuclear ambitions and the critical need to restart the moribund Six-Party talks to end Pyongyang's nuclear weapons program.

The North Korean regime has always been willing to play the diplomatic game of brinkmanship to achieve its ambitions, but the stakes dramatically changed once it was revealed that North Korea was aggressively pursuing—indeed may have already acquired—nuclear weapons.

Let us be very clear, Kim Jong Il is purposefully and deliberately blackmailing his neighbors and the United States through his withdraw from the Six-Party Talks and—more importantly—he is now actively playing the nuclear card; and, the United States must take this threat extremely seriously, particularly because of that nation's long history of selling advanced weapons to all who will pay for them—including other rogue states and perhaps even international terrorists. We should not buckle under to this blackmail.

Unlike the crisis with former Iraqi Dictator Saddam Hussein, the world has declared with one clear and unified voice that it will not tolerate a nuclear-armed North Korea; and Kim Jong Il's announcement on February 10, 2005, that North Korea had “manufactured nukes,” represents both a threat and a challenge to the community of nations that we collectively cannot ignore.

So, now—more than ever—we must find a way to restart the Six Party Talks with North Korea and put an end to this crisis. Some critics of the Bush Administration have argued that the Six-Party strategy has failed, and only bilateral dialogue between the United States and North Korea can resolve this crisis once and for all.

I strongly disagree with that thinking. South Korea, Japan, Russia, China, and the United States all have an integral part to play in defusing the ever-increasing danger posed by North Korea's nuclear capabilities. Staying unified in a five-nation coalition is, in my opinion, the single most effective way to send a clear message to Kim Jong Il. Moreover, while Kim Jong Il may not think twice about breaking any commitment he makes to the United States, he may think long and hard about violating any agreement involving the Chinese—one of the few countries to have any influence over the North—as China provides most of North Korea's food and oil supplies.

In addition, the bilateral approach has already been tried with disastrous results. A Clinton Administration communiqué stated that “neither [North Korea nor the United States] would have hostile intent toward the other . . . and [would] make every effort in the future to build a new relationship free from past enmity.” This is exactly the same kind of “no hostile intent” commitment that North Korea is currently demanding to return to the Six-Party talks. We gave them this commitment and still North Korea refused to abide by its 1994 agreement with the United States to freeze its nuclear weapons program—not even dismantle it, just freeze it—in exchange for energy supplies and economic aid.

In fact, Kim Jong Il failed to honor agreements signed with both the Clinton Administration and South Korea, continued to conduct a major clandestine nuclear weapons program and even sold uranium hexafluoride—which can be used to enrich uranium for nuclear weapons—to Libya in 2001.

Pyongyang's willful violation of the 1994 agreement, its January 2003 withdrawal from the Nuclear Non-Proliferation Treaty, and its March 3, 2005, announcement that it no longer felt bound by the 1999 missile testing moratorium all lend credence to the belief that we are dealing with a paranoid, unstable, and ambitious tyrant bent on the manufacturing of nuclear weapons.

Any sign of weakness, any wedge driven between the United States and the other five parties to the talks, will only further embolden this dangerous regime.

Mr. Chairman, we all know that the longer there is no progress on talks, the more time North Korea has to add to its nuclear arsenal, but we must remain committed to a complete, irreversible, verifiable dismantlement of the North's nuclear arsenal and weapons program. This commitment is non-negotiable. President Bush has made it clear on numerous occasions that he wants a peaceful, negotiated settlement on the Korean Peninsula and has no intention of initiating the use of force against North Korea. I believe the framework of the Six-Party Talks is not only the most productive, but in reality the only, prudent way to proceed.

Once again Mr. Chairman, I thank you for holding this important and timely hearing. I look forward to hearing from the witnesses and hope—by the day's end—that we will have a better understanding of how best to move forward in our dealings with North Korea.

